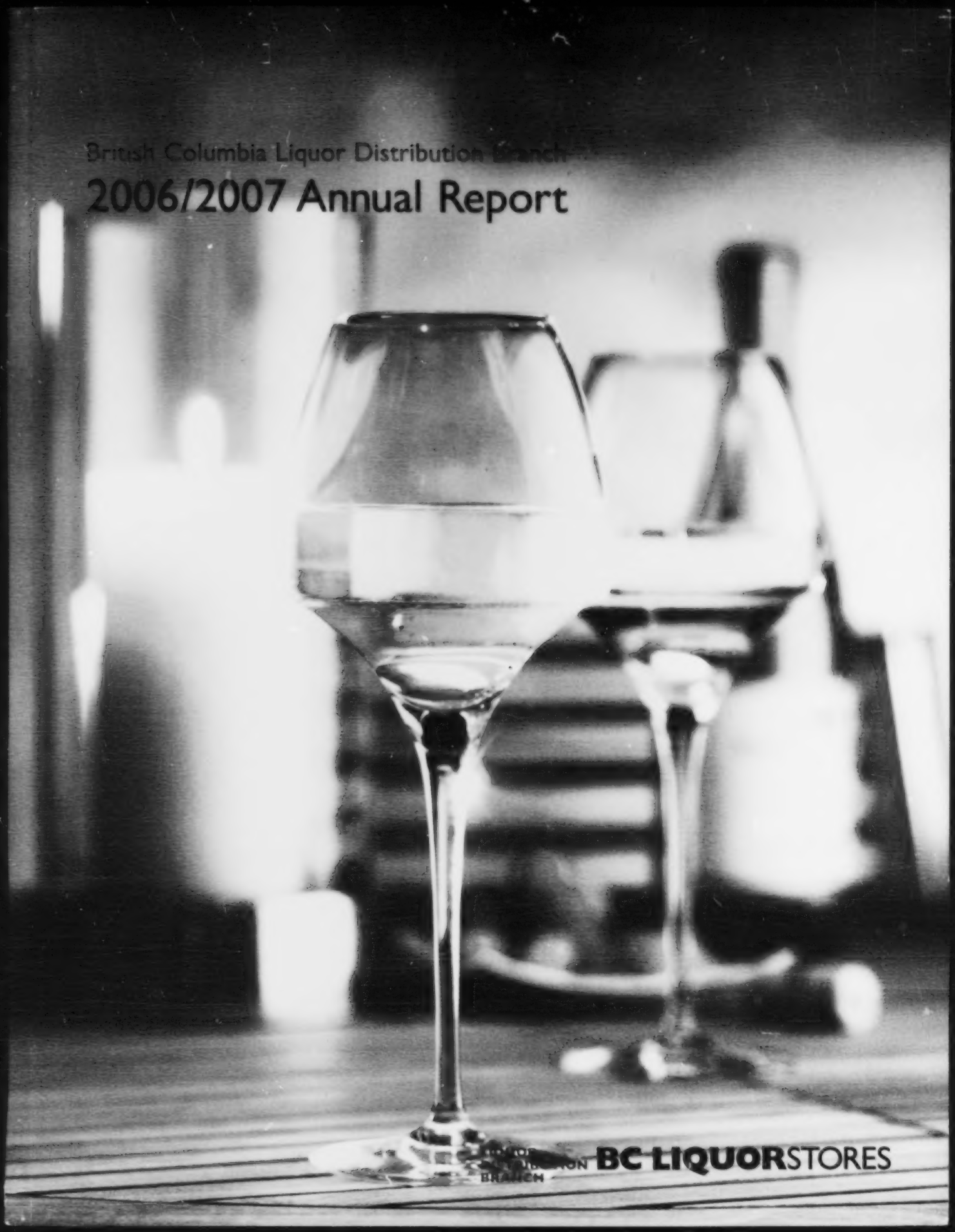
British Columbia Liquor Distribution Branch
2006/2007 Annual Report
BC LIQUORSTORES

British Columbia
Liquor Distribution Branch

2006/2007 Annual Report

VISION

That our customers have the opportunity to discover, enjoy and share the evolving world of beverage alcohol.

MISSION

To be a customer-focused, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and social responsibility.

VALUES

EXEMPLARY SERVICE

We take pride in the quality of our work. We strive for excellence in serving customers and coworkers.

PUBLIC SAFETY AND SOCIAL RESPONSIBILITY

We encourage and support the responsible use of beverage alcohol.

INTEGRITY

We take responsibility and are fully accountable for our actions, decisions and behaviour.
We are open, honest and fair.

RESPECT

We treat all individuals with fairness, dignity and respect.

TEAMWORK

We support one another to achieve corporate goals.

INNOVATION

We encourage our people to find innovative and creative ways to improve our business.

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GENERAL MANAGER'S MESSAGE TO THE MINISTER RESPONSIBLE

The Honourable John Les, Minister of Public Safety and Solicitor General:

I am pleased to report that the fiscal year 2006/07 ended with the British Columbia Liquor Distribution Branch (LDB) delivering a net income of $840 million, compared to $800 million the previous year. This is a $40 million increase over the previous fiscal year—and $42 million over our Service Plan target for the year.

Total sales for the year were $2.43 billion, an increase of $185 million or 8.2 per cent over the previous year, and $134 million or 5.8 per cent higher than our Service Plan target. Fiscal 2006/07 saw increases in all product categories: 8.3 per cent in spirits, 12.6 per cent in wine and 5.9 per cent in beer, and 8.3 per cent in refreshment beverages.

In 2006/07, the private retail system continued to expand. During the year, the number of licensee retail stores (LRSs) increased to 631 from 592, and as of March 31, 2007, there were a total of 1,273 government and private liquor stores in the province.

As part of our ongoing commitment to set the standard for excellence in the retailing of beverage alcohol, the LDB opened nine new Signature Stores: Kamloops Columbia Place; Ironwood in Richmond; Meadowtown in Pitt Meadows; Westshore on Vancouver Island; Kelowna Mission Park; Port Coquitlam's Nicola Station; Langley; Prince George Pine Centre and Vernon.

The LDB continued to make public safety and social responsibility a key priority, in addition to our mission to be a customer-focused, profitable retailer and wholesaler of beverage alcohol. Our annual Support Dry Grad campaign, which is part of the LDB's commitment to promoting zero consumption for minors, raised an unprecedented $478,307—thanks to the incredible generosity of government liquor store customers throughout British Columbia.

The 2006/07 LDB Annual Report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented has been prepared in accordance with the BC Reporting Principles and reflects the actual performance of the LDB for the 12 months ended March 31, 2007 in relation to the February 2006 service plan. The measures presented are consistent with the LDB's mission, goals and objectives, and focus on aspects critical to the organization's performance.

I am responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion. All significant decisions, events and identified risks, as of May 18, 2007, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate direction, goals, objectives, strategies, measures or targets made since the February 2006 service plan was released and any significant limitations in the reliability of data are identified in the report.

Jay Chambers
General Manager
May 18, 2007

GOVERNANCE

In British Columbia, the Liquor Distribution Branch (LDB), under the authority of the *Liquor Distribution Act*, has the sole right to purchase beverage alcohol, both in and out of British Columbia, in accordance with the *Importation of Intoxicating Liquors Act (Canada)*.

Reporting to the Minister of Public Safety and Solicitor General, the LDB is responsible for the importation, distribution, wholesaling and retailing of beverage alcohol in British Columbia and operates government liquor stores and distribution centres in the province. The LDB is also responsible for the appointment of private retail agency stores*.

The *Liquor Distribution Act* specifies that the minister must appoint a general manager and that the general manager is responsible for administering the Act, including the general control, management and supervision of liquor stores, subject to the orders, directions and supervision of the minister.

The Act further clarifies the powers of the general manager and delineates the administration of the LDB and the operation of its liquor stores. The LDB follows the Crown Agencies Secretariat guidelines for service plans and annual reports, and is reported out in public accounts in a manner similar to a commercial crown corporation, on a modified equity basis.

Another branch within the Ministry of Public Safety and Solicitor General, the Liquor Control and Licensing Branch (LCLB), enforces the *Liquor Control and Licensing Act*. The LCLB is responsible for the licensing, monitoring and enforcement of the Act and regulations related to private liquor stores, restaurants, pubs and manufacturers.

** Agency stores refer to rural agency stores, manufacturer stores, independent wine stores and duty free stores.*

BUSINESS OF THE **LIQUOR DISTRIBUTION** BRANCH

With a workforce of approximately 3,500 full and part-time employees, the LDB operates, as of March 31, 2007:

- 201 government liquor stores throughout the province;
- two distribution centres, one in Vancouver and one in Kamloops; and
- a head office facility in Vancouver.

The LDB issues appointments or authorizations and enters into contracts with the private sector for the operation of private retail outlets, such as rural agency stores (RASs), beverage alcohol manufacturer stores, independent wine stores and duty-free stores. These authorizations and agreements are in addition to any licensing terms that may be in place with the LCLB.

As of March 31, 2007, private sector retail establishments included:

- 631 licensee retail stores (LRSs, private liquor stores licensed to sell all liquor products);
- 230 RASs (general merchandise stores in rural communities authorized to sell all liquor products);
- 154 on-site manufacturer stores (stores at wineries, breweries and distilleries that sell products manufactured on-site);
- 34 off-site manufacturer stores (stores operated by the BC wine industry that sell BC winery products);
- 12 independent wine stores (private wine stores authorized to sell all types of wine); and
- 11 duty-free stores.

The LDB purchases beverage alcohol from suppliers and manufacturers in British Columbia, other provinces and from around the world. Licensed manufacturing sites in British Columbia include 152 wineries, 51 breweries and brew pubs, and 12 distilleries. The LDB buys products from more than 400 manufacturers.

PERCENTAGE OF GROSS $ SALES BY RETAIL CHANNEL **2006/07**

Government Liquor Stores	44.9%
Licensee Retail Stores	30.7%
Licensee (pubs, bars, restaurants)	18.8%
Agency Stores	5.6%

PERCENTAGE OF GROSS $ SALES BY PRODUCT CATEGORY **2006/07**

Beer	43.0%
Spirits	27.0%
Wine	25.3%
Ciders/Coolers	4.2%
Special Orders/Non-alcoholic	0.5%

LDB **CUSTOMERS** AND **STAKEHOLDERS**

BC Liquor Stores averaged 728,000 customer visits each week in 2006/2007, making the LDB one of the province's largest retail organizations.

The LDB has both retail and wholesale customers: wholesale customers are comprised of licensee retail stores, rural agency stores, restaurants and pubs, and duty-free stores. Retail customers are the general public, who buy their product through the government liquor store network.

Our stakeholders include the people of British Columbia, their elected officials, our employees, our suppliers, and groups that share our concern for public safety.

The LDB offers a broad selection of both international and domestic products, and our employees strive to provide exemplary service in assisting our retail and wholesale customers in finding the right products for their needs. As well, the LDB continually looks for ways to become more efficient in the management of our operating expenses.

Along with our government liquor stores, a variety of private retail outlets help to ensure that the public is well-served. The mixed public-private retail model not only gives our customers more choice, but also encourages the growth of the small business sector in British Columbia.

ALIGNMENT WITH GOVERNMENT'S **STRATEGIC PLAN**

As with all branches and agencies of government, the LDB is aligned to support and implement the government's goals. The LDB estimates that it will generate $2.48 billion in net income to government over the next three years; this revenue will assist government in achieving its goals to:

1. Make British Columbia the best-educated, most literate jurisdiction on the continent.
2. Lead the way in North America in healthy living and physical fitness.
3. Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk and seniors.
4. Lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.
5. Create more jobs per capita than anywhere else in Canada.

To serve the interests of our customers and stakeholders, we:

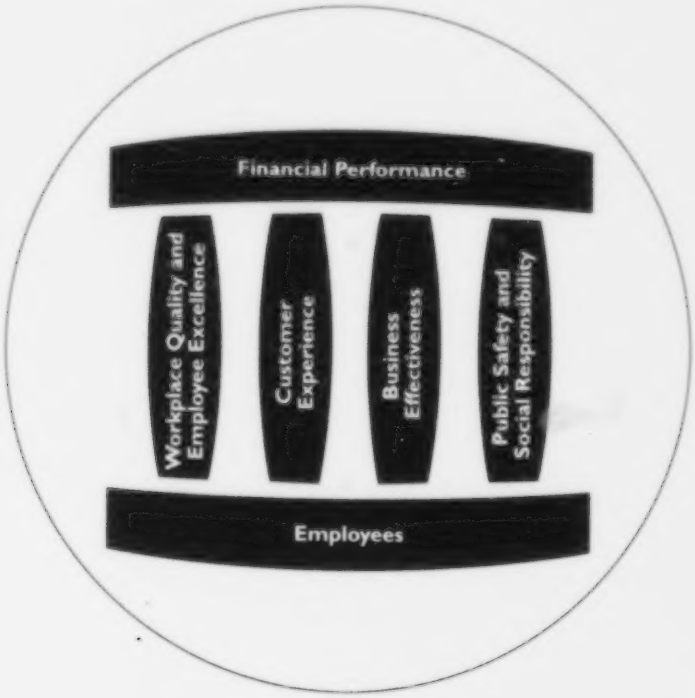
- deliver quality products and services;
- distribute products and services through a variety of liquor retail venues throughout British Columbia;
- manage the importation, warehousing, transportation and sale of liquor in a fair and impartial manner;
- promote the safe and responsible use of beverage alcohol; and
- implement policies to ensure LDB workplaces are safe and free of harassment or discrimination.

To fulfill our responsibilities to the government and people of British Columbia, we:

- maximize revenue to the government of British Columbia;
- manage the LDB's business risks;
- ensure accountability of key business partners; and
- develop and implement programs and services aimed at deterring the sale of beverage alcohol to minors, those who appear intoxicated, or those who are believed to be buying for either of these parties.

THE **FOUR PILLARS** FRAMEWORK

The Liquor Distribution Branch organizes its strategic priorities and key objectives around the concept of four pillars. All four pillars support financial performance, and at the foundation are the LDB's dedicated employees.



HIGH-LEVEL GOALS

The five high-level goals are:

FINANCIAL PERFORMANCE
Maximize net income within the policy guidelines established by government

WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE
Build a customer-focused, high performance work environment that results in greater employee involvement, development, innovation and creativity

CUSTOMER EXPERIENCE
Continuously improve the customer experience in BC Liquor Stores

BUSINESS EFFECTIVENESS
Continue to seek out improvements to operating efficiencies and maximize wholesale customer satisfaction in a climate of constant change

PUBLIC SAFETY AND SOCIAL RESPONSIBILITY
Encourage the responsible use of beverage alcohol

GOAL 1 Financial Performance 7

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GOAL 1: **FINANCIAL PERFORMANCE**

Maximize net income within the policy guidelines established by government.

Financial Performance Highlights

Sales of beverage alcohol continued on a strong trend in fiscal 2006/07. Total sales for the year were $2.4 billion, an increase of $134 million or 5.8 per cent over the 2006/07-2008/09 Service Plan targets and $185 million or 8.2 per cent over last year. Net income for fiscal 2006/07 was $840 million, exceeding the target by $42 million. Net income — total revenue less total expenses — is the LDB's financial contribution to the province of British Columbia.

Sales in all categories performed ahead of Service Plan targets. The strong sales were reflected in increases of 8.3 per cent in spirits, 12.6 per cent in wine, 5.9 per cent in beer and 8.3 per cent in refreshment beverages, compared to fiscal 2005/06. Major factors contributing to the sales performance were the extremely good weather during the summer selling period and the strong provincial economy.

An increase of 39 licensee retail stores (LRSs) contributed to a 16.3 per cent increase in sales to those outlets over the previous year. Total liquor outlets in the province increased by 58 from 1,215 to 1,273 during the year.

SALES BY MAJOR CATEGORY ($000s)

						Change vs Previous Year	
	2006/07	2005/06	2004/05	2003/04	2002/03	$	%
Domestic Spirits	389,181	366,999	353,392	336,237	323,849	22,183	6.0%
Import Spirits	267,723	239,560	221,004	201,033	189,733	28,162	11.8%
Total Spirits	**656,904**	**606,559**	**574,396**	**537,270**	**513,582**	**50,345**	**8.3%**
Domestic Wine	230,155	209,149	191,294	176,723	168,237	21,006	10.0%
Import Wine	386,835	338,881	306,904	272,158	248,420	47,954	14.2%
Total Wine	**616,990**	**548,030**	**498,198**	**448,881**	**416,657**	**68,960**	**12.6%**
Domestic Refreshment	90,043	84,915	86,815	82,974	82,909	5,128	6.0%
Import Refreshment	12,681	9,950	10,876	9,894	7,848	2,731	27.4%
Total Refreshments	**102,724**	**94,865**	**97,691**	**92,868**	**90,757**	**7,859**	**8.3%**
Domestic Beer	868,997	839,227	830,380	784,407	746,718	29,770	3.5%
Import Beer	177,598	149,111	137,554	122,855	106,337	28,487	19.1%
Total Beer	**1,046,595**	**988,338**	**967,934**	**907,262**	**853,055**	**58,257**	**5.9%**
Miscellaneous/Special	11,232	11,735	10,164	11,942	11,244	(503)	-4.3%
Total Sales	**2,434,445**	**2,249,527**	**2,148,383**	**1,998,223**	**1,885,295**	**184,918**	**8.2%**

SALES BY MAJOR CATEGORY IN LITRES (000s)

	2006/07	2005/06	2004/05	2003/04	2002/03	Change vs Previous Year Litres	%
Domestic Spirits	15,488	15,152	14,739	14,391	13,963	336	2.2%
Import Spirits	8,909	8,216	7,678	7,206	6,823	693	8.4%
Total Spirits	**24,397**	**23,368**	**22,417**	**21,597**	**20,786**	**1,029**	**4.4%**
Domestic Wine	23,130	22,101	20,707	19,887	19,209	1,028	4.7%
Import Wine	25,087	22,726	21,122	19,200	17,963	2,362	10.4%
Total Wine	**48,217**	**44,827**	**41,829**	**39,087**	**37,172**	**3,390**	**7.6%**
Domestic Refreshment	19,142	18,246	18,558	14,143	18,347	896	4.9%
Import Refreshment	2,048	1,471	1,602	5,682	1,177	577	39.3%
Total Refreshment	**21,190**	**19,717**	**20,160**	**19,825**	**19,524**	**1,473**	**7.5%**
Domestic Beer	239,868	237,338	237,623	238,179	233,853	2,530	1.1%
Import Beer	39,356	33,274	31,109	28,398	25,160	6,082	18.3%
Total Beer	**279,224**	**270,612**	**268,732**	**266,577**	**259,013**	**8,612**	**3.2%**
Miscellaneous/Special Orders	194	201	199	207	209	(7)	-3.5%
Total Sales	**373,222**	**358,725**	**353,337**	**347,293**	**336,704**	**14,497**	**4.0%**

FINANCIAL PERFORMANCE **TARGETS** AND **RESULTS** 2006/2007

OBJECTIVE

1. Achieve or exceed net income targets.

STRATEGY

1. Grow sales and effectively manage operating expenses

PERFORMANCE MEASURE	TARGETS	ACHIEVEMENT
Total Sales ($ billions)	06/07 – $2.30 07/08 – $2.37 08/09 – $2.42	**$2.43 billion** **Target exceeded:** Sales are an important measure of financial performance as they directly impact the LDB's ability to achieve or exceed net income targets. Total sales in fiscal 06/07 exceeded target by $134 million. **Previous years:** 05/06 – $2.25 billion, 04/05 – $2.15 billion, 03/04 – $2.0 billion
Gross Margin ($ billions)	06/07 – $1.05 07/08 – $1.08 08/09 – $1.10	**$1.09 billion** **Target exceeded:** Gross margin is an important measure of financial performance as it represents the funds remaining after the cost of product has been paid. These funds are applied to pay for operating expenses with the excess being the contribution to government. **Previous years:** 05/06 – $1.02 billion, 04/05 – $1.0 billion, 03/04 – $0.94 billion
Operating expenses ($ millions)	06/07 – $257.3 07/08 – $265.4 08/09 – $270.1	**$256.3 million** **Target achieved:** Managing the operating expenses of the LDB is important to achieving the net income targets and is constantly monitored and analyzed. A number of favourable variances – such as rents, amortization, merchandising, data processing and travel – helped offset additional costs incurred. Additional expenses included employment expenses resulting from additional sales volumes, bank fees from the increased use of credit cards, professional services, freight due to additional volumes, beverage containers and repairs and maintenance. **Previous years:** 05/06 – $242.4 million, 04/05 – $240 million, 03/04 – $215.3 million
Net income ($ millions)	06/07 – $798.1 07/08 – $819.8 08/09 – $835.9	**$840.3 million** **Target exceeded:** Net income is $42.2 million ahead of target. This measure of financial performance—total revenue less total expenses—is the LDB's financial contribution to the province of British Columbia. Increased sales, reduced amortization and managing employment expenses were the largest contributing factors in exceeding the target. **Previous years:** 05/06 – $800.5 million, 04/05 – $778.6 million, 03/04 – $726.7 million
Total LDB expenses as a percentage of total LDB sales	06/07 – 11.2% 07/08 – 11.2% 08/09 – 11.2%	**10.5%** **Target achieved:** Managing operating expenses as a percentage of sales is an important financial index as it indicates the degree of efficiency attained by the LDB. **Previous years:** 05/06 – 10.8%, 04/05 – 11.2%, 03/04 – 10.8%

GOAL TWO: **WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE**

Build a customer-focused high performance work environment that results in greater employee involvement, development, innovation and creativity.

Performance Highlights

Workforce

Our enthusiastic staff has continued to focus on providing excellent service to our retail and wholesale customers.

Like most organizations, the LDB is facing the challenge of an aging workforce. This year a succession strategy was developed to specifically target our ability to fill critical positions throughout the organization to address the issue. Over the coming year the LDB will be developing and implementing a workforce plan that will supplement the succession planning process and enable employees to develop career paths and learning and development plans.

Training and Development

Three new integrated Signature training programs were developed and delivered to staff this year: "Signature Service," "Signature Selling" and "Signature Coaching." The LDB also has 1,625 employees currently enrolled in Product Knowledge programs. These courses work in tandem to provide staff with innovative and leading-edge skills so that our customers receive the best experience possible.

A second Employee Engagement Survey was completed this year. A communiqué summarizing the results of the survey will be sent to all LDB employees. Specific objectives and action plans will be developed to address areas of employee concern.

WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE **TARGETS** AND **RESULTS** 2006/2007

OBJECTIVE

1. **Continue to develop a customer-focused workforce that is knowledgeable, skilled, motivated and enthusiastic**

STRATEGIES

1. **Enhance staff skills through management development and employee training programs**
2. **Employ a competency-based recruitment process**
3. **Develop succession plans for key positions**
4. **Provide a safe, healthy and harassment-free workplace**
5. **Promote a retail-oriented culture through an enhanced performance management and recognition process**

PERFORMANCE MEASURE	TARGETS	ACHIEVEMENT
Employee satisfaction and engagement	06/07 – 70% 07/08 – 80% 08/09 – 90%	**66%** **Target not met:** Fiscal 2006/07 saw a nine per cent increase in our employee-satisfaction measurement. Going forward, the LDB will continue to strive for yearly improvement in this goal. **Previous years:** 05/06 – 57%, 04/05 – not measured, 03/04 – not measured

GOAL THREE: **CUSTOMER EXPERIENCE**

Continuously improve the customer experience in BC Liquor Stores.

Performance Highlights

Gift Cards

Gift cards continued to grow in popularity in BC Liquor Stores this year. Available in denominations of $25, $50 and $100, gift card balances can be checked on the BC Liquor Stores website.

British Columbia Vintners Quality Alliance (VQA) Wines

This year, British Columbia VQA wines were once again featured prominently in all BC Liquor Stores. However, low yields resulted in many VQA wines being in short supply. This will adjust as the most recent harvest was excellent and we are looking forward to once again having more of these world-class wines available on our shelves.

In November, a special collection of premium British Columbia VQA wines – the "Best of BC" – was released in selected LDB stores. The release covered 19 premium VQA wines that showcased some of the more spectacular vintages in recent years.

Vancouver Playhouse International Wine Festival

For the 29th consecutive year, the LDB operated an on-site wine store during this year's Vancouver Playhouse International Wine Festival (VPIWF). Regarded as Canada's premier wine event, this year 180 wineries from 17 countries attended VPIWF to pour a record 1,570 wines at a record 60 events. The spotlight was on two areas – the regional theme of Australian Wine: A World of Difference and the global focus was Riesling.

For the first time this year, the festival conducted an industry symposium. This inaugural event explored issues around wine packaging and was entitled "Message in a Bottle… or in a Box?" Since its inception in 1979 the festival has raised $5.2 million for the Vancouver Playhouse Theatre Company.

Feature Programs

The LDB worked with consulates and trade organizations to support their marketing efforts and feature programs highlighting the wines of various regions, including Chile, Italy, South Africa, France, New Zealand, Australia, California and Washington. Programs included store displays, trade events and in-store tastings.

Website

During fiscal 2006/07, an average of 35,000 visitors per month accessed the LDB website, www.bcliquorstores.com. The site provides information about BC Liquor Store products, product use, store locations, corporate publications, and the liquor industry.

Publications

Taste

Our in-store quarterly consumer magazine, Taste (formerly Matters of Taste) was re-designed this year with a modern look and format. Taste features product, editorial content and advertising from the worlds of food, drink, and entertaining. The first issue was launched in November 2006 and the magazine is published quarterly. Approximately 400,000 copies of the new Taste magazine will be distributed at 201 BC Liquor Stores across the province this coming year.

CUSTOMER EXPERIENCE **TARGETS** AND **RESULTS** 2006/2007

OBJECTIVE

1. Continue to enhance the shopping experience for LDB retail customers

STRATEGIES

1. Continue to revitalize the store network
2. Provide enhanced customer service
3. Improve customer access to British Columbia Vintners Quality Alliance (VQA) wines

PERFORMANCE MEASURE	TARGETS	ACHIEVEMENT
Total number of additional Signature Stores opened	06/07 – 12 07/08 – 5 08/09 – 5	**9** **Target not met:** The LDB has 20 Signature Stores in BC, with one more to be completed. The target has been eliminated in the 2007/08 – 2009/10 Service Plan as the LDB is focussing on maximizing operation efficiency opportunities within the system, allowing the network to stabilize within the mixed public-private industry model. **Previous years:** 05/06 – 2, 04/05 – 3, 03/04 – n/a
Average retail customer transaction value	06/07 – $27.87 07/08 – $28.99 08/09 – $30.15	**$28.95** **Target met:** The customer continues to make more premium selections in their beverage alcohol purchase and in turn this continues to have a positive affect on the average transaction value. **Previous years:** 05/06 – $27.22, 04/05 – $26.70, 03/04 – $26.70
Increased dollar sales of VQA wines through LDB retail stores	06/07 – 20% 07/08 – 20% 08/09 – 20%	**3.8%** **Target not met:** A lower than expected 2005 grape harvest, due to poor weather, affected the availability of VQA wine this fiscal. A healthy harvest in 2006 will improve the accessibility of VQA wines in the next fiscal year. **Previous years:** 05/06 – 18.5%, 04/05 – 4.9%, 03/04 – 4.6%
Retail customer satisfaction	06/07 – 90% 07/08 – 90% 08/09 – 90%	**98%** **Target exceeded:** Close to 1,000 customers were surveyed and 98% responded with either an "excellent," "very good" or "good" rating. **Previous years:** 05/06 – 91%, 04/05 – 89%, 03/04 – n/a

GOAL FOUR: **BUSINESS EFFECTIVENESS**

Continue to seek out improvements to operating efficiencies and maximize wholesale customer satisfaction in a climate of constant change.

Performance Highlights

Distribution/Wholesale

The distribution supply chain system continues to adjust to meet the demands of an expanded liquor retail network. Improvements in technology made it possible for the LDB to make upgrades this year to its distribution system that will improve services to wholesale customers and increase efficiencies in its stores.

Technology

As part of our Business Continuity and Recovery planning, this year the LDB put in place an alternate data centre that will function in the event of a disaster at our computer centre. Additionally, we have developed an integrated test centre where systems and platforms are integrated so that any changes to their environment may be tested and implemented efficiently with less risk.

The Sales Collection, Inventory & Audit (SCIA) Project was also completed this year. SCIA was implemented to eliminate the existing legacy Sales Data Collection (SDC) system, providing enhanced functionality, tighter controls, improved processing times, simplified processes, reporting with other downstream systems and improved flexibility to respond as required to evolving business practices. SCIA integrates data from both internal sources and external partners into our financial systems.

The LDB is currently working with other ministries in a partnership towards the use of a single business number and single ID (BCeID) for our wholesale customers and has completed a product database upgrade that allows input from external suppliers and agents via our Product Registration Extranet web site.

Corporate Security

Improvements in technology and digital imaging systems have provided the LDB with the opportunity to be an industry leader in corporate security measures. A five-year implementation plan encompassing upgrades to stores across the province provides the framework for advancements in live monitoring and police communication as well as cost savings and safety measures.

Investigations

The LDB has shown leadership in social responsibility and effectiveness in partnerships with police and crown counsel in all provincial jurisdictions towards the monitoring of illegal activities such as cross-border smuggling and theft. Our investigators work closely with the police and other government agencies to address community concerns and minimize the impact of illicit activities in the community.

Emergency Programs

Emergency Programs at the LDB encompasses Business Continuity, including Disaster Recovery and Emergency Management. Our Business Continuity Program identifies critical processes and guides business leaders through the process of mitigation, response, recovery and resumption of business in the event of a disruption. The LDB actively engages our employees in preparedness activities both at work and at home.

An emergency call-out exercise of over 3,500 employees was completed this year with a resounding success rate of 76 per cent. Each year, our employees receive a personal preparedness package for home and family during National Emergency Preparedness Week as well as a variety of training opportunities. We currently have an Emergency Response Team in place as well as a functioning Emergency Operations Centre (EOC). All team members have been trained and participate in annual exercises.

Regulatory Reform

In keeping with the government's regulatory reform initiative, the LDB is committed to reducing regulation and creating a more effective and results-based regulatory framework.

BUSINESS EFFECTIVENESS **TARGETS** AND **RESULTS** 2006/2007

OBJECTIVES

1. **Increase wholesale customer satisfaction**
2. **Improve cost efficiencies**

STRATEGIES

1. **Increase the use of available and leading-edge technology**
2. **Maximize the potential efficiencies available through improved distribution operations**
3. **Provide enhanced wholesale customer services**

PERFORMANCE MEASURE	TARGETS	ACHIEVEMENT
Wholesale customer satisfaction	06/07 – 90% 07/08 – 90% 08/09 – 90%	**90%** **Target achieved:** Approximately 3,000 wholesale customers were invited to participate in the Wholesale Customer Survey. There was a 14% response rate with 413 respondents this year. The LDB continues to develop an improved system for product ordering to meet the needs of the evolving mixed retail environment, and has made inroads in the distribution of wholesale product. This year the direct delivery customer base increased from 207 to over 300 customers. **Previous years:** 05/06 – 90%, 04/05 – 84%, 03/04 – n/a
Distribution centre accuracy rate	06/07 – 99% 07/08 – 99% 08/09 – 99%	**99%** **Target achieved:** Random checking of assembled orders indicates an extremely high rate of accuracy with quantity and product match. **Previous years:** 05/06 – 99%, 04/05 – 98.5%, 03/04 – 98.5%
Distribution centre labour cost per case shipped	06/07 – $1.56 07/08 – $1.53 08/09 – $1.53	**$1.70** **Target not met:** Growth in volume and numbers of orders, as well as the effects of weather and power outages in the winter season, has affected the area's performance. A plan is in place for next fiscal year's activities. **Previous years:** 05/06 – $1.58, 04/05 – $1.66, 03/04 – $1.86
Number of LRSs receiving direct shipment	06/07 – 300 07/08 – 400 08/09 – 500	**308** **Target exceeded:** The Distribution Centres expanded direct delivery service to 308 LRSs this year. This service provides efficiencies in LDB stores and an enhanced wholesale customer experience. **Previous years:** 05/06 – 207, 04/05 – 97, 03/04 – n/a
LDB stores operating costs as a percentage of sales	06/07 – 10.9% 07/08 – 10.9% 08/09 – 10.9%	**9.9%** **Target exceeded:** BC Liquor Stores have improved efficiencies and overall operating costs. This success can be attributed to strong planning on the part of store management. **Previous years:** 05/06 – 11.1%, 04/05 – 11.4%, 03/04 – 11.9%
LDB store sales per square foot	06/07 – $1,370 07/08 – $1,448 08/09 – $1,488	**$1,425** **Target exceeded:** Customer surveys indicate that people rate the BC Liquor Store shopping experience very highly. Sales performance supports this result. **Previous years:** 05/06 – $1,347, 04/05 – $1,309, 03/04 – $1,197

BENCHMARKING

The LDB benchmarks itself against three other provinces: Manitoba, Ontario and Alberta. The LDB expects to continue benchmarking annually with these partners on the same measures, which are described below.

Per Capita Net Income of Beverage Alcohol
This measure shows how the British Columbia liquor system compares to other provinces from the perspective of generating government revenue.

Government Liquor Store Operating Expenses as a Percentage of Store Sales
This measure is an indicator of LDB store efficiency as compared to other provincial government stores.

Sales Per Square Foot
This is another indicator of the efficiency of the LDB's store system.

INDUSTRY BENCHMARKS 2005/2006

	British Columbia	Manitoba	Ontario	Alberta
Per capita net income of beverage alcohol	$186	$167	$135	$179
GLS operating expenses as a percentage of store sales	11.1%	10.8%	10.3%	n/a
Sales per square foot	$1,347	$853	$863	n/a

GOAL FIVE: **PUBLIC SAFETY** AND **SOCIAL** RESPONSIBILITY

Encourage the responsible use of beverage alcohol.

Performance Highlights

The LDB is a leader in corporate social responsibility and demonstrates its commitment to the communities it serves through responsible-use of alcohol programs and a number of increasingly successful charitable activities. Conducting its business in the best interests of consumers and communities, the LDB promotes public safety and is committed to reducing the impact of its business on the environment.

Our staff incorporates social responsibility as a part of daily operations and the LDB sponsors and participates in a number of programs and activities that encourage responsible alcohol consumption and support a sustainable environment. These include:

- Monthly responsible consumption of alcohol messages in stores
- Just Checking! 2-ID
- Support Dry Grad
- Get Home Safe
- Alcohol and Pregnancy

Dry Grad Campaign

The annual Support Dry Grad campaign is part of the LDB's public safety and social responsibility program to promote the responsible use of beverage alcohol – a program that includes the prevention of underage drinking and promotion of zero consumption for minors.

This year, government liquor store customers and store staff raised a record total of $478,307 to support high schools that are planning alcohol-free graduation events for the class of 2007. Since the 2001 inception of the LDB's annual Support Dry Grad campaign, $1.67 million has been raised by BC Liquor Store customers and staff for alcohol-free events in communities across British Columbia.

Christmas Twin Bear Program

Every November and December, BC Liquor Store customers are invited to buy twin teddy bears for $10. One bear goes home with the customer, while the other is donated to a charity chosen by liquor store staff.

Thanks to BC Liquor Store customers, in November and December 2006 the LDB donated approximately 27,000 bears to children in various hospitals, shelters and special homes throughout the province. Since the LDB began this program in 1989, more than 258,000 bears have been donated to British Columbia charities.

PECSF Campaign

The Provincial Employees Community Services Fund (PECSF) is a fundraising campaign supported voluntarily by staff throughout the provincial government. Proceeds are raised through employee contributions and special fundraising events, with 100 per cent of the money raised going to a variety of British Columbia charities.

Over $131,000 was raised this year through payroll, one-time donations and fundraisers. With over one-third of employees contributing, the LDB has one of the highest participation rates of any group or Ministry.

24 Hour Relay for the Kids

Every June for the last 12 years, members of the LDB Beer-O-Crats team have laced up their sneakers to raise funds for the 24 Hour Relay for the Kids, the largest fundraiser of its kind in North America. Funds are raised for the Lions Society's three Easter Seal Camps, specially equipped for children with disabilities. In 2006/07, the Beer-O-Crats raised more than $8,000.

PUBLIC SAFETY AND SOCIAL RESPONSIBILITY **TARGETS** AND **RESULTS** 2006/2007

OBJECTIVE

1. **No sales to minors or intoxicated persons**
2. **Increased awareness and promotion of the responsible use of beverage alcohol**

STRATEGIES

1. **Increased staff education and enforcement of 2-ID program requirements**
2. **Develop co-operative programs with beverage alcohol suppliers and other stakeholders**

PERFORMANCE MEASURE	TARGETS	ACHIEVEMENT
Government liquor store compliance with 2-ID checking policy	06/07 – 100% 07/08 – 100% 08/09 – 100%	**Did not complete** **Target:** Compliance rules were adjusted this fiscal year. The LDB will work with the LCLB to ensure strong compliance next fiscal year. **Previous years:** 05/06 – 69%, 04/05 – 82%, 03/04 – n/a
Customer awareness of LDB's social responsibility programs	06/07 – 90% 07/08 – 90% 08/09 – 90%	**96%** **Target exceeded:** The LDB customer satisfaction survey has indicated exceptional customer awareness of the LDB Social Responsibility initiatives. The BC Liquor Store chain has done an excellent job in supporting these initiatives. **Previous years:** 05/06 – 78%, 04/05 – 70%, 03/04 – n/a
Implementation of responsible-use beverage alcohol programs	06/07 – 12 07/08 – 12 08/09 – 12	**12** **Target met:** One program per month in LDB stores—some that are sponsored entirely by the LDB and some that are partnership endeavours. Partners in 2006/07 included Molson and the Canadian Association of Liquor Jurisdictions. **Previous years:** 05/06 – 12, 04/05 – 3, 03/04 – n/a

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MANAGEMENT **DISCUSSION** AND **ANALYSIS**

Fiscal 2006/07 was the LDB's 15th consecutive year of sales growth, with an average annual increase of 5.8 per cent. In comparison to the 2006/07-2008/09 Service Plan target, net income was $840 million, an increase of $40 million over last year and $42 million over the target; gross sales were $2.43 billion, an increase of $185 million over last year and $134 million over the target.

RESULTS OF OPERATIONS

Key Indices (all dollar figures in $000s)	Actual 2006/07	Budget 2006/07	Actual 2005/06	Change vs. 2005/06 Actual	Change vs. 2006/07 Budget
Gross Sales	2,434,445	2,300,596	2,249,527	184,918	133,849
Net Income	840,286	798,134	800,471	39,815	42,152
Capital Expenditures	22,496	27,000	19,017	3,479	(4,504)
Gross Margin %	44.81%	45.60%	45.47%	-0.66%	-0.79%
Operating Income to Sales	34.28%	34.45%	34.70%	-0.42%	-0.17%
Operating Expenses to Sales	10.53%	11.16%	10.78%	-0.25%	-0.63%
Net Income to Sales	34.52%	34.76%	35.58%	-1.06%	-0.24%
Inventory Turnover	16.6 times	15.6 times	15.7 times	0.9 times	1 time
Counter Customer Count (000s)	37,868	n/a	37,963	(95)	n/a
Average Transaction $ Value	$28.95	$27.87	$27.22	$1.73	$1.08
FTE Count	2,749	2,703	2,630	119	46

Gross dollar sales grew in all categories with accompanying volume increases except for draught beer. The strong provincial economy was a major contributing factor to the sales increases, along with extremely good weather throughout the summer selling period and increased private sector participation.

Private sector stores, licensee retail stores (LRSs) and agency stores purchase their product from the LDB at discounts ranging from 10 to 30 per cent. During the year, the share of the liquor market accounted for by these outlets increased from 34.1 per cent to 36.3 per cent. The effect of the change in market share reduced LDB gross margin by approximately 0.3 per cent.

Capital expenditures increased to $22.5 million from $19.0 million in the previous year. Capital expenditures were related to enhancing the store system, upgrading information systems and for ongoing operational capital needs.

During fiscal 2006/07, the customer count at government liquor stores (GLSs) declined by 0.3 per cent, or 95,000 customers, due to the increased number of private stores and seven fewer GLSs. The average retail customer transaction value at GLSs, however, increased to $28.95 from $27.22. This can be attributed to customers purchasing or trading up to more premium products.

Operating expenses were 10.5 per cent of sales for the fiscal year, which is 0.3 per cent less than fiscal 2005/06. The reduction in the operating expense ratio is attributable to: efficiencies in the store system through close monitoring of staffing schedules; the effect of the recording of the one-time signing bonus in 2005/06; increased direct distribution to private stores from the distribution centres and private warehouses; and amortization not realized due to capital expenditure completion timing.

LDB net income as a percentage of sales decreased to 34.5 per cent from 35.6 per cent in the previous year due to the increase in discounts paid to private retail stores, increased cost of products and a decrease in other income as a result of the accounting for the signing bonus in the previous year. Discounts to licensee retail stores increased to 16 per cent from 13 per cent during the last two financial periods of the year.

Overall inventory turns for the LDB improved by 0.9 times, from 15.7 to 16.6 times. This indicates that the average number of days that the LDB holds inventory went from 23 to 22 days. Inventory turns at the LDB's distribution centres went from 25.3 to 26.6 turns, while at GLSs it went from 18.3 to 15.9 turns. This reflects the effect of increased direct shipments from the LDB distribution centres to large wholesale customers and the impact of a greater assortment of product in the GLSs to service the retail customers.

Sales ($000s)	Actual 2006/07	Budget 2006/07	Actual 2005/06	Change vs. 2005/06 Actual	Change vs. 2006/07 Budget
Product					
Spirits	656,904	626,583	606,559	50,345	30,321
Wine	616,990	602,997	548,030	68,960	13,993
Packaged Beer	922,263	850,247	866,742	55,521	72,016
Draught Beer	124,332	119,419	121,596	2,736	4,913
Cider/Coolers	102,724	90,266	94,865	7,859	12,458
Special Orders/Non-alcoholic	11,232	11,084	11,735	(503)	148
	2,434,445	**2,300,596**	**2,249,527**	**184,918**	**133,849**
Sales Litres (000s)					
Product					
Spirits	24,397	24,014	23,368	1,029	383
Wine	48,217	50,371	44,827	3,390	(2,154)
Packaged Beer	233,328	223,001	224,486	8,842	10,327
Draught Beer	45,896	45,875	46,126	(230)	21
Cider/Coolers	21,190	18,636	19,717	1,473	2,554
Special Orders/Non-alcoholic	194	212	201	(7)	(18)
	373,222	**362,109**	**358,725**	**14,497**	**11,113**

Gross sales of $2.4 billion represent an increase of 8.2 per cent over last year's $2.2 billion, and an increase of 5.8 per cent over budget. All major product categories experienced growth in dollar sales over last year. The largest percentage dollar increase was in the wine category at 12.6 per cent or $69 million. Sales in the spirits category increased by $50.3 million or 8.3 per cent. Packaged beer recorded a sales increase of $55.5 million or 6.4 per cent. Cider and coolers increased by $7.8 million or 8.3 per cent after experiencing a decline in the previous year. Draught beer was up $2.7 million or 2.3 per cent in dollar sales.

Volume sales increased in all major categories except draught beer. The wine category had the largest percentage volume increase at 7.6 per cent over the previous year, followed closely by the refreshment category of ciders and coolers, who rebounded with a 7.5 per cent increase after a slight decline the previous year. Spirit volume increased by 4.4 per cent and packaged beer by 3.9 per cent while draught beer declined by 0.5 per cent.

Overall, imported products had a larger percentage increase in both dollar sales and volume over the previous year.

KEY FINANCIAL AND OPERATING STATISTICS

For the five years ended March 31, 2007 (all dollar figures in $000s)	Actual 2006/07	Budget 2006/07	Actual 2005/06	Actual 2004/05	Actual 2003/04
Sales	2,434,445	2,300,596	2,249,527	2,148,383	1,998,223
Cost of Sales	1,197,690	1,127,818	1,101,656	1,048,602	992,225
Gross Margin	1,090,834	1,049,171	1,022,929	1,008,494	936,535
Gross Margin (%)	44.81%	45.60%	45.47%	46.9%	46.9%
Operating Expenses	256,302	256,637	242,428	240,045	214,276
Operating Expenses to Sales (%)	10.53%	11.16%	10.78%	11.2%	10.8%
Operating Income	834,532	792,534	780,501	768,449	721,259
Operating Income to Sales (%)	34.28%	34.45%	34.70%	35.8%	36.1%
Net Income	840,286	798,134	800,471	778,594	726,710
Net Income to Sales (%)	34.52%	34.69%	35.58%	36.2%	36.4%
Inventory Turnover	16.6	15.6	15.7	15.2	14.8

Data source: LDB Oracle Financial System

PROVINCIAL SALES BY SOURCE

For the five years ended March 31, 2007 (as a percentage of total dollar sales)	2006/07	2005/06	2004/05	2003/04	2002/03
Counter Sales					
Government Liquor Stores (%)	44.9%	46.7%	50.5%	54.0%	56.4%
Licensee Retail Stores (%)	30.7%	28.5%	24.7%	20.8%	18.2%
Agency Stores (%)	5.6%	5.6%	5.5%	5.5%	4.5%
Total Counter Sales (%)	81.2%	80.8%	80.7%	80.3%	79.1%
Licensed Establishments	18.8%	19.2%	19.3%	19.7%	20.9%
Total Sales (%)	100.0%	100.0%	100.0%	100.0%	100.0%

COUNTER SALES BY SOURCE

For the five years ended March 31, 2007 (as a percentage of total dollar sales)	2006/07	2005/06	2004/05	2003/04	2002/03
Counter Sales					
Government Liquor Stores (%)	55.3%	57.8%	62.5%	67.2%	71.3%
Licensee Retail Stores (%)	37.8%	35.3%	30.6%	25.9%	23.0%
Agency Stores (%)	6.9%	6.9%	6.9%	6.9%	5.7%
Total Counter Sales Market (%)	100.0%	100.0%	100.0%	100.0%	100.0%

Data source: LDB Oracle Financial System

REMITTANCES TO GOVERNMENT AGENCIES

For the five years ended March 31, 2007 ($000s)	2006/07	2005/06	2004/05	2003/04	2002/03
Federal Government					
Custom Duties and Excise Tax	133,612	127,912	126,905	125,811	108,877
Goods and Services Tax	144,158	150,690	145,201	135,958	129,088
Total	**277,770**	**278,602**	**272,106**	**261,769**	**237,965**
Provincial Government					
LDB Net Income	840,286	800,471	778,594	726,710	654,217
Social Services Tax	109,244	105,362	108,199	108,089	105,100
Total	**949,530**	**905,833**	**886,793**	**834,799**	**759,317**
Municipal Government					
Property Taxes	5,592	5,181	4,985	4,702	4,827
Total Remittances	**1,232,892**	**1,189,616**	**1,163,884**	**1,101,270**	**1,002,109**

FUTURE OUTLOOK

Management Future Outlook

Wines and spirits are expected to continue their strong growth trend over the next three fiscal years while other product group sales volumes are expected to remain flat relative to 2006/07.

The licensee retail store (LRS) system is expected to continue its expansion and growth in market share, however at a reduced rate with fewer new stores opening. The LRSs' discount increased from 13 to 16 per cent effective January 28, 2007. The impact of this change on market share will depend on the LRSs' pricing strategies. Any increases in LRS market share and discount rate will reduce operating income; however the effect may be offset should sales increase as a result of the expansion of stores.

Operating expenses will rise due to negotiated labour rate increases. The LDB is currently in its second year of its four-year contract which expires March 31, 2010. Operating costs are also expected to increase due to increasing store lease costs and higher capital expenditure amortization costs. Variable costs for product-handling and freight, along with commission costs from increased use of bank cards, will result in higher operating costs as sales increase. As a result, operating expenses as a percentage of sales are budgeted at 11 per cent for 2007/08.

The LDB will be undertaking an Enterprise Risk Assessment to ensure that all major risks, financial and non-financial, have been identified and ranked. Plans will be developed to address and mitigate the key risks identified as a result of the assessment.

The LDB has a number of initiatives and projects underway to address the service and reporting requirements of the wholesale and retail segments of the business.

Financial Outlook

PROJECTED INCOME, EXPENSES, CAPITAL REQUIREMENTS AND FTES

(ALL DOLLAR FIGURES IN $000s)

	Budget 2007/08	Forecast 2008/09	Forecast 2009/10
Total Sales	2,453,356	2,510,133	2,555,134
Commissions and Discounts	159,749	163,419	166,379
Cost of Sales	1,218,961	1,248,838	1,273,251
Operating Expenses	270,194	275,510	282,145
Other Income	5,600	5,600	5,600
Net Income	810,051	827,966	838,959
Capital Requirements	17,500	14,000	14,000
FTEs	2,658	2,680	2,700

Key Forecast Assumptions

Forecast assumptions, based on market trends by product categories, include overall sales increases of 2.8 per cent, 2.3 per cent and 1.8 per cent over the next three years per the 2007/08 – 2009/10 Service Plan. The LDB reviews and updates its financial forecasts quarterly and during the annual budgeting process, based on the actual results and sales trends experienced.

Discount increases reflect a 1.5 per cent market-share shift to private outlets in fiscal 2007/08 and a stabilized market share thereafter. Capital requirements include expenditures for updating and improving stores, technology-related projects and ongoing equipment replacement.

RISK **MANAGEMENT**

The LDB Executive Management Committee meets monthly to discuss service plan performance, risks and mitigating strategies.

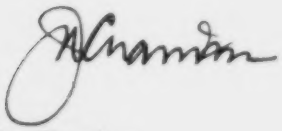
2007/08 Risk Factors and Sensitivities	Mitigating Strategies
Liquor is a discretionary consumer product and an unexpected downturn in the economy could negatively affect LDB sales projections.	The LDB carefully monitors sales and will make necessary adjustments to sales strategies and operating expenses in order to achieve net income targets.
Liquor sales are negatively impacted by poor weather.	The LDB carefully monitors sales and will make necessary adjustments to sales strategies and operating expenses in order to achieve net income targets.
Liquor is a high-value product and is susceptible to illicit activity such as cross-border smuggling and theft.	The LDB works with appropriate municipal, provincial and federal enforcement agencies to identify and address illicit activity.
Shifts in sales from LDB stores to private stores increase the cost of discounts applied to private store purchases.	The LDB carefully monitors discount costs and will make necessary adjustments to sales strategies and operating expenses.
Unforeseen events such as natural disasters may disrupt business at any time.	The LDB is continuously improving upon and testing its Business Continuity Plan.
A number of knowledgeable, experienced employees are reaching retirement age.	The LDB is developing succession plans for key positions and continuing to provide necessary on-the-job training.

MANAGEMENT'S **RESPONSIBILITY** FOR **FINANCIAL REPORTING**

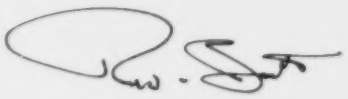
The financial statements of the British Columbia Liquor Distribution Branch have been prepared by management in accordance with Canadian generally accepted accounting principles. Any financial information contained elsewhere in the annual report has been reviewed to ensure consistency with the financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner.

The Office of the Auditor General of British Columbia has performed an independent audit of the financial statements of the Liquor Distribution Branch. The Auditor's Report outlines the scope of this independent audit and expresses an opinion on the financial statements of the Liquor Distribution Branch.



Jay Chambers
General Manager



Roger M. Bissoondatt, CA, CMA
Executive Director, Finance

Vancouver, British Columbia
May 18, 2007

Report of the Office of the Auditor General of British Columbia

To the Minister of Public Safety and Solicitor General
Province of British Columbia:

I have audited the balance sheet of the *British Columbia Liquor Distribution Branch* as at March 31, 2007 and the statements of operations, advance due from Province of British Columbia and cash flows for the year then ended. These financial statements are the responsibility of the Branch's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *British Columbia Liquor Distribution Branch* as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Errol Price, CA
Deputy Auditor General

Victoria, British Columbia
May 18, 2007

AUDITED **FINANCIAL STATEMENTS**

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

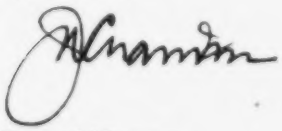
BALANCE SHEET

(in $000s)

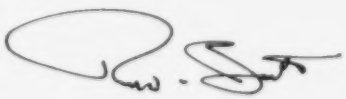
As at March 31,	2007	2006 (note 13)
ASSETS		
CURRENT ASSETS		
Cash	$ 5,120	$ --
Accounts receivable	4,779	16,936
Inventories	72,786	71,268
Prepaid expenses	5,709	7,352
Due from Province of British Columbia	29,208	41,807
	117,602	137,363
CAPITAL ASSETS (note 3)	43,120	28,327
	$ 160,722	$ 165,690
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	$ --	$ 11,762
Accounts payable and accrued liabilities	157,327	149,149
Restructuring costs (note 11)	--	31
Current portion of deferred tenant allowances (note 5)	69	6
Current portion of tenant improvement loans (note 6)	705	844
Current portion of capital leases (note 7)	461	393
	158,562	162,185
LONG TERM LIABILITIES		
Deferred tenant allowances (note 5)	283	272
Tenant improvement loans (note 6)	1,618	2,643
Obligations under capital leases (note 7)	259	590
	$ 160,722	$ 165,690

Commitments and contingent items (notes 8 & 9)

Approved by:



General Manager



Executive Director, Finance

The accompanying notes and supplementary schedules are an integral part of these financial statements.

STATEMENT OF OPERATIONS

(in $000s)

Year Ended March 31,	2007	2006
Sales (note 4)	$ 2,434,445	$ 2,249,527
Less commissions & discounts	145,921	124,942
	2,288,524	2,124,585
Cost of merchandise sold	1,197,690	1,101,656
Gross margin	1,090,834	1,022,929
Operating expenses (schedule)	256,302	242,428
	834,532	780,501
Other income	5,754	19,970
Net income	$ 840,286	$ 800,471

STATEMENT OF ADVANCE DUE FROM PROVINCE OF BRITISH COLUMBIA

(in $000s)

Year Ended March 31,	2007	2006
Balance beginning of year	$ 41,807	$ 54,356
Net income	(840,286)	(800,471)
Payments to Province of British Columbia	827,687	787,922
Balance end of year	$ 29,208	$ 41,807

The accompanying notes and supplementary schedules are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(in $000s)

Year Ended March 31,	2007	2006 (note 13)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$ 2,300,680	$ 2,117,115
Cash payments to Provincial Treasury	(827,687)	(787,922)
Cash paid to suppliers and employees	(1,437,713)	(1,331,477)
Cash receipts from other income	5,629	18,913
Interest paid on capital lease and loans	(337)	(482)
CASH FLOWS FROM OPERATING ACTIVITIES	40,572	16,147
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets excluding capital projects	(16,950)	(11,720)
Acquisition of capital project assets	(5,546)	(7,296)
Proceeds from disposal of capital assets	126	110
Disposal of Land	--	952
CASH FLOWS (USED IN) INVESTING ACTIVITIES	(22,370)	(17,954)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred tenant allowances	107	--
Payment on capital leases	(263)	(355)
Tenant improvement loans	(1,164)	(1,039)
CASH FLOWS (USED IN) FINANCING ACTIVITIES	(1,320)	(1,394)
NET INCREASE (DECREASE) IN CASH	16,882	(3,201)
(BANK INDEBTEDNESS) BEGINNING OF YEAR	(11,762)	(8,561)
CASH (BANK INDEBTEDNESS) END OF YEAR	$ 5,120	$ (11,762)

The accompanying notes and supplementary schedules are an integral part of these financial statements.

SCHEDULE OF OPERATING EXPENSES

(in $000s)

Year Ended March 31,	2007	2006 (note 13)
Salaries, wages and benefits (note 10)	$ 144,753	$ 145,229
Rents	30,557	28,003
Professional services	6,450	4,836
Repairs and maintenance	6,153	4,971
Freight to stores	7,187	5,851
Amortization	7,703	8,233
Light, water and fuel	2,624	2,454
Beverage container costs	13,977	11,663
Other operating expenses	4,898	4,451
Stationery and supplies	2,957	2,651
Merchandising	3,329	2,029
Bank charges	14,095	11,254
Data processing	3,229	3,512
Telephone	3,479	3,390
Travel	956	802
Loss prevention	2,331	1,444
Warehouse equipment costs	1,287	1,172
Interest on long term liabilities	337	482
	$ 256,302	$ 242,428

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2007
(Tabular amounts in $000s)

1. PURPOSE OF THE BRANCH

The British Columbia Liquor Distribution Branch (Branch) obtains its authority for operation from the *British Columbia Liquor Distribution Act* (Act). As stated in Section 2 of this Act, the Branch has the exclusive right to purchase liquor for resale and reuse in the Province in accordance with the provisions of the *Importation of Intoxicating Liquors Act* (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

As prescribed by Section 30(3)(b) of the Act, the financial statements of the Branch are prepared in accordance with Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

Inventories
Inventories are valued at cost on a first in first out basis, with cost comprising of supplier invoiced value, freight, duties and taxes.

Capital Assets
Capital assets are stated at historical cost and are amortized on a straight-line basis as follows:

Buildings
7.5 per cent per annum.

Leasehold improvements
A minimum of 10 per cent per annum or a rate sufficient to amortize the cost over the remaining life of the respective lease.

Furniture, fixtures, vehicles and equipment
25 per cent per annum.

Information systems
25 per cent per annum.

Leasehold improvements and capital projects
All material costs of construction and development for leasehold improvements and capital projects are treated as assets under Construction in Process accounts. At the point in time when the project is substantially completed the costs are capitalized into their applicable categories and amortized at the asset category rate.

Leases
Assets recorded as capital leases are capitalized and amortized at the applicable asset category rate. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

Related Party Transactions
The Branch is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, as well as other transactions in

March 31, 2007
(Tabular amounts in $000s)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

which Provincial Government intervention is a component, are generally considered to be in the normal course of operations and are recorded at the exchange amount, unless disclosed separately in these financial statements.

Revenue Recognition
Revenue is recognized when the sale of product is made to customers.

Use of Estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	2006 Net Book Value (note 13)
Land	1,068	--	1,068	1,068
Buildings	18,419	17,118	1,301	1,564
Leasehold improvements	33,387	17,096	16,291	11,229
Furniture, fixtures, vehicles & equipment	19,171	16,482	2,689	2,395
Office furnishings under capital lease	3,627	3,385	242	484
Information systems	67,933	61,535	6,398	5,517
Construction in process	15,131	--	15,131	6,070
	158,736	**115,616**	**43,120**	**28,327**

4. SALES

Total sales reported include sales to retail customers, licensed establishments, licensee retail stores and agency stores. These amounts do not include subsequent resale by licensed establishments, licensee retail stores and agency stores.

	2007	2006
Retail customers	$ 1,092,223	$ 1,050,384
Licensee retail stores	746,406	641,548
Agency stores	137,267	126,231
Licensed establishments	458,549	431,364
	$ 2,434,445	$ 2,249,527

March 31, 2007
(Tabular amounts in $000s)

5. DEFERRED TENANT ALLOWANCES

Certain leasing agreements include incentives or landlord funding to be used towards expenditures such as tenant improvements or relocation expenses. The value of these benefits are recorded and amortized over the term of the lease.

Year Ending March 31	2008	69
	2009	69
	2010	46
	2011	35
	2012	35
	Subsequent years	98
		352
	Current Portion	(69)
	Long Term	283

6. TENANT IMPROVEMENT LOANS

As at March 31, 2007 the Branch has tenant improvements loans of $2.3 million financed through landlords. The range of interest rates is 4.25% to 11.75% with loans expiring from May 2007 to June 2014. The Principal payments due are as follows:

Year Ending March 31	2008	705
	2009	601
	2010	436
	2011	361
	2012	158
	Subsequent years	62
		2,323
	Current Portion	(705)
	Long Term	1,618

March 31, 2007
(Tabular amounts in $000s)

7. OBLIGATIONS UNDER CAPITAL LEASES

In the fiscal year 1994, the Branch entered into a 15-year capital lease for certain head office tenant improvements and office furnishings. The following schedule includes the future minimum lease payments under that capital lease expiring July 31, 2008, together with the balance of the obligation under that capital lease. The schedule also includes information on additional capital leases for vehicles and operating equipment.

		Head Office	Vehicles	Equipment	Total
Year ending March 31	2008	475	6	32	513
	2009	158	5	32	195
	2010	--	5	31	36
	2011	--	5	31	36
	2012	--	5	--	5
	Subsequent years	--	5	--	5
	Total	633	31	126	790
	Imputed interest rate	10%	9%	9%	
	Interest	(43)	(7)	(20)	(70)
	Current Portion	(435)	(3)	(23)	(461)
	Long Term	155	21	83	259

8. COMMITMENTS

Future commitments for operating leases for Branch premises and equipment are as follows:

Year Ending March 31		
	2008	21,677
	2009	17,304
	2010	13,765
	2011	11,339
	2012	8,257
	Subsequent years	28,091
		100,433

9. CONTINGENT ITEMS

The Branch has authorized suppliers' agents to import and warehouse liquor for subsequent purchase by the Branch. Under this program, the Branch has a contractual obligation to purchase all inventories held by the agent should the agent opt out of the program. As at March 31, 2007, the value of agents' inventories totalled approximately $66.1 million (2006 - $67.4 million) and the future liability for related federal excise taxes is $12.9 million (2006 - $11.7 million).

The Branch is the defendant in legal actions and it is not expected that the ultimate outcome of these claims will have a material effect on the financial position of the corporation.

March 31, 2007
(Tabular amounts in $000s)

10. EMPLOYEES' BENEFIT PLANS

The Branch and its employees contribute to the Public Service Pension Plan (The Plan). The Plan is a multi-employer defined benefits pension plan. Under joint trusteeship, unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest valuation as at March 31, 2005 indicated an unfunded liability of $767 million for basic pension benefits. The next valuation will be as at March 31, 2008 with results available in early 2009. The actuary does not attribute portions of the unfunded liability to individual employers. The Branch paid $9.7 million for employer contributions to the plan in fiscal 2006/07.

Employees are also entitled to specific retirement benefits as provided for under collective agreements and terms of employment. The future liability for this obligation amounts to $9,346,532 (2006 – $7,316,660) which represents future employees' retirement benefits outside of the Public Service Pension Plan. The expense adjustment recorded in the year is $2,029,872 (2006 - $270,790).

11. RESTRUCTURING COSTS

Provisions for severance costs under the Early Retirement Incentive (ERIP) and Voluntary Departure (VDP) programs were made in 2003 for planned store and distribution centre closures. In 2004, the government decided to continue to operate the retail and distribution system. Departures under the ERIP and VDP programs continued through 2006/07 and all remaining balances were used during the year.

	2007	2006
Opening balance beginning year	31	1,183
Used during the year	(31)	(525)
Reversal of accrual not required	--	(627)
Ending Balance	--	31

12. FINANCIAL INSTRUMENTS

The Liquor Distribution Branch's financial instruments consist of cash, accounts receivable, advance due to/from the Province of British Columbia, accounts payable and accrued liabilities, tenant improvement loan, and capital lease. Unless otherwise noted, it is management's opinion that the Branch is not exposed to significant interest, currency or credit risks arising from these financial instruments.

13. COMPARATIVE FIGURES

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.

The LDB implemented Oracle Financials in April 2006 including a new Chart of Accounts and the Fixed Asset module. The historical account values and asset balances were converted onto the new system using revised and standardized categorizations.

2006/07 STORE SALES BY REGION – UNAUDITED

		Sales		Litre Product Mix				Litre Product Mix Percentage			
Store Name	Store Number	Retail $	Litres	Spirits	Wine	Beer	Ciders /Coolers	Spirits	Wine	Beer	Ciders /Coolers
VANCOUVER ISLAND/COAST											
Alert Bay	225	516,857	87,054	5,489	10,007	55,851	15,706	6.3%	11.5%	64.2%	18.0%
Bella Coola	232	1,111,171	172,437	13,883	20,206	123,153	15,196	8.1%	11.7%	71.4%	8.8%
Campbell River Stores											
Campbell River	05	12,862,467	1,379,009	212,479	314,716	698,508	153,306	15.4%	22.8%	50.7%	11.1%
Willow Point	185	2,924,908	434,206	37,474	65,104	298,639	32,989	8.6%	15.0%	68.8%	7.6%
Chemainus	206	2,051,084	286,548	26,824	53,773	183,355	22,596	9.4%	18.8%	64.0%	7.9%
Comox	235	6,842,914	755,498	104,568	207,308	358,354	85,269	13.8%	27.4%	47.4%	11.3%
Courtenay	10	13,326,222	1,570,402	185,424	370,772	848,173	166,033	11.8%	23.6%	54.0%	10.6%
Cumberland	08	1,223,817	184,499	16,545	18,673	127,114	22,167	9.0%	10.1%	68.9%	12.0%
Duncan	12	13,399,245	1,669,770	191,627	338,477	941,658	198,009	11.5%	20.3%	56.4%	11.9%
Gabriola Island	134	1,974,887	242,519	22,741	64,717	136,379	18,681	9.4%	26.7%	56.2%	7.7%
Ganges	204	5,507,805	559,429	61,437	189,663	268,339	39,990	11.0%	33.9%	48.0%	7.1%
Gold River	55	993,052	166,914	11,660	10,780	133,254	11,221	7.0%	6.5%	79.8%	6.7%
Ladysmith	24	4,771,494	623,514	71,673	119,821	361,484	70,536	11.5%	19.2%	58.0%	11.3%
Lake Cowichan	67	2,829,781	453,887	34,431	46,742	334,169	38,545	7.6%	10.3%	73.6%	8.5%
Mill Bay	173	5,269,266	603,836	73,839	144,622	329,760	55,615	12.2%	24.0%	54.6%	9.2%
Nanaimo Stores											
Harbour Park	33	5,611,632	683,931	82,951	151,557	375,611	73,811	12.1%	22.2%	54.9%	10.8%
Longwood Station	188	7,107,429	803,843	95,191	224,274	432,185	52,193	11.8%	27.9%	53.8%	6.5%
Terminal Park	243	19,818,299	1,903,331	349,102	489,850	824,284	240,094	18.3%	25.7%	43.3%	12.6%
Parksville Stores											
Parksville	42	5,947,308	700,651	74,871	189,863	392,258	43,659	10.7%	27.1%	56.0%	6.2%
Parksville North	157	7,350,856	827,977	112,967	204,860	401,668	108,481	13.6%	24.7%	48.5%	13.1%
Pender Island	155	1,991,850	238,470	19,819	62,636	133,123	22,892	8.3%	26.3%	55.8%	9.6%
Port Alberni	40	8,171,690	1,187,203	111,960	170,037	795,375	109,830	9.4%	14.3%	67.0%	9.3%
Port Alice	128	698,810	110,817	8,421	9,109	86,485	6,802	7.6%	8.2%	78.0%	6.1%
Port Hardy	236	4,056,411	672,899	46,541	68,161	493,424	64,773	6.9%	10.1%	73.3%	9.6%
Port McNeill	115	3,038,942	417,885	43,527	57,977	268,780	47,601	10.4%	13.9%	64.3%	11.4%
Powell River	41	8,387,991	1,001,374	130,201	219,963	514,149	137,061	13.0%	22.0%	51.3%	13.7%
Qualicum	34	5,987,903	709,714	81,222	200,047	376,921	51,525	11.4%	28.2%	53.1%	7.3%
Sidney	50	10,115,534	1,114,984	116,253	371,535	556,029	71,167	10.4%	33.3%	49.9%	6.4%
Sooke	229	4,115,685	543,536	54,800	100,131	334,755	53,850	10.1%	18.4%	61.6%	9.9%
Tahsis	56	305,895	47,214	4,100	5,117	35,259	2,738	8.7%	10.8%	74.7%	5.8%
Tofino	118	3,629,122	414,662	40,497	79,114	266,127	28,924	9.8%	19.1%	64.2%	7.0%
Ucluelet	216	2,136,496	334,369	21,634	40,708	251,646	20,382	6.5%	12.2%	75.3%	6.1%
Victoria (Greater) Stores											
Trafalgar Square	59	5,276,959	666,237	61,508	161,415	401,238	42,075	9.2%	24.2%	60.2%	6.3%
Esquimalt	68	2,339,924	347,324	28,536	59,477	234,523	24,788	8.2%	17.1%	67.5%	7.1%
Gorge and Tillicum	124	7,767,925	1,091,007	99,985	191,353	715,820	83,849	9.2%	17.5%	65.6%	7.7%
Langford	125	11,746,200	1,426,357	154,612	301,095	859,943	110,706	10.8%	21.1%	60.3%	7.8%
Cedar Hill	140	4,911,939	570,101	61,150	173,520	301,825	33,605	10.7%	30.4%	52.9%	5.9%
James Bay	150	3,754,955	456,908	42,514	130,851	258,330	25,212	9.3%	28.6%	56.5%	5.5%
Blanshard Square	161	6,356,694	871,374	74,096	160,298	575,064	61,916	8.5%	18.4%	66.0%	7.1%
Fairfield	178	5,158,446	552,059	49,512	208,074	268,155	26,318	9.0%	37.7%	48.6%	4.8%

2006/07 STORE SALES BY REGION – UNAUDITED

		Sales		Litre Product Mix				Litre Product Mix Percentage			
Store Name	Store Number	Retail $	Litres	Spirits	Wine	Beer	Ciders /Coolers	Spirits	Wine	Beer	Ciders /Coolers
Broadmead Village	181	7,140,716	718,209	81,423	256,979	335,052	44,756	11.3%	35.8%	46.7%	6.2%
Victoria Bay Centre	184	4,565,945	505,005	60,083	112,051	284,923	47,948	11.9%	22.2%	56.4%	9.5%
Fort Street	218	18,553,043	1,715,688	156,226	607,520	870,159	81,784	9.1%	35.4%	50.7%	4.8%
Government Street Licensee	231	33,245,980	2,530,571	596,698	768,916	704,609	460,349	23.6%	30.4%	27.8%	18.2%
Saanich	242	5,170,068	655,910	61,366	162,462	389,979	42,105	9.4%	24.8%	59.5%	6.4%
MAINLAND/SOUTHWEST											
Abbotsford Stores											
Abbotsford Village	189	6,958,591	835,360	89,304	191,315	489,715	65,026	10.7%	22.9%	58.6%	7.8%
Clearbrook	149	10,571,921	1,090,878	156,262	281,359	570,805	82,453	14.3%	25.8%	52.3%	7.6%
Agassiz	64	3,736,839	430,970	61,313	78,908	223,525	67,225	14.2%	18.3%	51.9%	15.6%
Burnaby Stores											
Lougheed Plaza	77	11,350,391	1,337,480	161,274	292,109	801,888	82,209	12.1%	21.8%	60.0%	6.1%
Brentwood	187	4,294,867	511,729	53,124	111,029	318,874	28,702	10.4%	21.7%	62.3%	5.6%
South Burnaby	203	6,418,338	806,030	82,319	174,699	505,742	43,270	10.2%	21.7%	62.7%	5.4%
North Burnaby	217	7,899,767	1,037,762	87,285	220,574	675,937	53,966	8.4%	21.3%	65.1%	5.2%
Highgate Village	220	12,859,519	1,555,768	151,492	321,838	998,604	83,834	9.7%	20.7%	64.2%	5.4%
Chilliwack Stores											
Chilliwack	07	9,987,159	1,321,793	149,666	212,560	820,532	139,034	11.3%	16.1%	62.1%	10.5%
Sardis	170	10,525,571	1,325,219	156,846	254,479	788,811	125,083	11.8%	19.2%	59.5%	9.4%
Coquitlam Stores											
Como Lake	153	5,601,330	695,266	60,366	171,224	426,605	37,071	8.7%	24.6%	61.4%	5.3%
Austin Road	200	7,604,115	977,183	102,683	196,670	616,064	61,765	10.5%	20.1%	63.0%	6.3%
Delta Stores											
Ladner	25	8,370,134	1,011,555	103,340	264,545	587,407	56,262	10.2%	26.2%	58.1%	5.6%
Tsawwassen	98	8,023,366	879,461	83,334	299,701	459,739	36,687	9.5%	34.1%	52.3%	4.2%
Scottsdale	145	10,754,281	1,177,382	192,286	242,702	680,118	62,276	16.3%	20.6%	57.8%	5.3%
Gibson	80	6,893,554	852,032	83,843	200,180	504,519	63,490	9.8%	23.5%	59.2%	7.5%
Hope	71	4,037,350	609,359	56,275	65,697	426,421	60,966	9.2%	10.8%	70.0%	10.0%
Langley Stores											
Aldergrove	109	7,842,544	1,116,464	106,867	163,453	771,153	74,990	9.6%	14.6%	69.1%	6.7%
Langley	22	8,582,159	1,067,686	128,991	223,342	630,080	85,273	12.1%	20.9%	59.0%	8.0%
Fort Langley	127	2,340,512	336,221	25,707	57,795	230,025	22,693	7.6%	17.2%	68.4%	6.7%
Willowbrook	158	15,512,136	1,824,048	213,088	399,277	1,055,150	156,533	11.7%	21.9%	57.8%	8.6%
Walnut Grove	186	6,954,974	839,522	82,514	204,851	492,823	59,335	9.8%	24.4%	58.7%	7.1%
Lillooet	23	1,968,360	290,508	26,306	30,376	192,646	41,180	9.1%	10.5%	66.3%	14.2%
Madeira Park	93	2,392,829	308,242	28,631	64,108	188,261	27,242	9.3%	20.8%	61.1%	8.8%
Maple Ridge Stores											
Haney	65	10,436,658	1,319,002	149,285	265,868	798,386	105,463	11.3%	20.2%	60.5%	8.0%
West Maple Ridge	164	3,356,860	456,552	44,487	84,176	285,998	41,891	9.7%	18.4%	62.6%	9.2%
Mission Plaza	27	10,769,305	1,381,829	169,475	213,779	848,270	150,305	12.3%	15.5%	61.4%	10.9%
New Westminster Stores											
New Westminster	31	10,951,912	1,414,414	155,723	241,141	915,206	102,343	11.0%	17.0%	64.7%	7.2%
Royal Square	97	6,437,944	788,821	85,622	184,937	464,051	54,212	10.9%	23.4%	58.8%	6.9%

2006/07 STORE SALES BY REGION – UNAUDITED

		Sales		Litre Product Mix				Litre Product Mix Percentage			
Store Name	Store Number	Retail $	Litres	Spirits	Wine	Beer	Ciders /Coolers	Spirits	Wine	Beer	Ciders /Coolers
North Vancouver Stores											
Westview	107	13,249,190	1,515,954	127,521	432,966	884,169	71,298	8.4%	28.6%	58.3%	4.7%
Dollarton Village	133	6,407,565	703,111	59,101	233,952	376,578	33,480	8.4%	33.3%	53.6%	4.8%
Capilano Mall	152	9,768,124	1,004,947	125,964	328,399	468,576	82,009	12.5%	32.7%	46.6%	8.2%
North Vancouver Esplanade	196	5,429,928	684,009	56,194	158,759	435,269	33,787	8.2%	23.2%	63.6%	4.9%
Lynn Valley	247	12,327,571	1,443,521	123,638	431,376	799,712	88,794	8.6%	29.9%	55.4%	6.2%
Pemberton	101	2,951,052	488,025	23,816	52,178	369,394	42,637	4.9%	10.7%	75.7%	8.7%
Pitt Meadows	165	10,214,003	1,163,081	137,308	268,939	662,011	94,823	11.8%	23.1%	56.9%	8.2%
Port Coquitlam Stores											
Port Coquitlam	11	4,638,888	610,199	65,361	103,153	381,056	60,629	10.7%	16.9%	62.4%	9.9%
Prairie Mall	89	5,354,819	761,281	63,582	124,067	523,932	49,701	8.4%	16.3%	68.8%	6.5%
Westwood Centre	163	21,322,856	2,364,165	253,367	568,086	1,391,544	151,168	10.7%	24.0%	58.9%	6.4%
Port Moody	205	5,883,519	710,420	69,349	180,581	409,287	51,203	9.8%	25.4%	57.6%	7.2%
Richmond Stores											
Brighouse	76	12,574,423	1,394,867	139,971	340,585	858,012	56,299	10.0%	24.4%	61.5%	4.0%
Ironwood	120	7,962,747	883,124	94,681	229,201	516,093	43,149	10.7%	26.0%	58.4%	4.9%
Blundell	176	2,422,705	289,009	27,700	77,229	167,419	16,661	9.6%	26.7%	57.9%	5.8%
Richmond SeaFair	244	9,347,317	1,088,106	110,246	305,301	618,573	53,987	10.1%	28.1%	56.8%	5.0%
Sechelt	230	7,256,650	854,731	89,238	229,021	477,935	58,537	10.4%	26.8%	55.9%	6.8%
Squamish	208	8,379,857	1,059,748	103,782	185,170	674,329	96,467	9.8%	17.5%	63.6%	9.1%
Surrey Stores											
Cloverdale	70	8,764,013	1,037,904	137,861	197,799	594,348	107,896	13.3%	19.1%	57.3%	10.4%
Ocean Park	110	6,307,138	659,711	64,046	227,582	339,112	28,971	9.7%	34.5%	51.4%	4.4%
Whalley	122	8,592,700	1,212,621	139,184	128,028	845,173	100,235	11.5%	10.6%	69.7%	8.3%
Newton	172	12,556,137	1,398,938	258,055	192,680	849,887	98,316	18.4%	13.8%	60.8%	7.0%
Fleetwood	182	14,395,654	1,667,417	227,370	299,228	1,041,434	99,385	13.6%	17.9%	62.5%	6.0%
Peninsula Village	183	13,535,793	1,508,887	137,338	451,793	849,307	70,449	9.1%	29.9%	56.3%	4.7%
Guildford	240	8,112,694	1,019,518	113,942	194,460	648,285	62,831	11.2%	19.1%	63.6%	6.2%
Nordel Crossing	241	15,820,706	1,794,716	274,652	281,056	1,131,541	107,466	15.3%	15.7%	63.0%	6.0%
Vancouver Stores											
Marpole	38	6,601,318	818,183	71,857	187,996	515,685	42,645	8.8%	23.0%	63.0%	5.2%
Harbour Centre	53	6,112,199	723,118	77,334	123,584	467,103	55,096	10.7%	17.1%	64.6%	7.6%
Hastings and Slocan	58	7,614,821	1,077,873	87,258	162,996	741,803	85,817	8.1%	15.1%	68.8%	8.0%
Jericho Village	90	10,389,123	1,098,715	103,188	338,197	607,301	50,029	9.4%	30.8%	55.3%	4.6%
Bute Street	94	9,279,964	1,087,375	126,689	215,404	667,993	77,290	11.7%	19.8%	61.4%	7.1%
Broadway & Lillooet Licensee	100	281,598,330	17,518,690	5,552,836	6,121,145	1,853,836	3,990,872	31.7%	34.9%	10.6%	22.8%
Dunbar	102	10,470,177	967,850	69,102	365,882	495,675	37,191	7.1%	37.8%	51.2%	3.8%
Commercial Drive	111	10,940,540	1,319,364	105,332	312,387	825,905	75,740	8.0%	23.7%	62.6%	5.7%
Cardero	112	14,123,080	1,628,029	158,350	421,911	959,268	88,499	9.7%	25.9%	58.9%	5.4%
Collingwood	113	12,541,011	1,746,217	152,534	251,670	1,257,907	84,106	8.7%	14.4%	72.0%	4.8%
Broadway Maple	117	16,893,301	1,878,183	156,099	544,025	1,097,950	80,109	8.3%	29.0%	58.5%	4.3%
Kingsgate Mall	123	9,997,863	1,500,032	109,406	201,025	1,097,670	91,930	7.3%	13.4%	73.2%	6.1%
Thurlow	129	26,847,622	2,368,021	279,482	631,645	1,338,815	118,080	11.8%	26.7%	56.5%	5.0%

2006/07 STORE SALES BY REGION – UNAUDITED

		Sales		Litre Product Mix				Litre Product Mix Percentage		
Store Name	Store Number	Retail $	Litres	Spirits	Wine	Beer	Ciders /Coolers	Spirits	Wine	Beer	Ciders /Coolers
Arbutus	136	6,019,485	508,370	57,079	233,382	196,932	20,976	11.2%	45.9%	38.7%	4.1%
39th and Cambie	160	36,240,147	2,694,968	286,560	945,198	1,357,252	105,958	10.6%	35.1%	50.4%	3.9%
8th & Cambie	177	8,325,821	890,373	74,967	266,170	506,153	43,083	8.4%	29.9%	56.8%	4.8%
Yaletown	191	4,780,294	403,519	44,693	123,821	219,288	15,718	11.1%	30.7%	54.3%	3.9%
UBC Marketplace	192	2,825,054	361,521	29,167	60,173	253,541	18,641	8.1%	16.6%	70.1%	5.2%
Champlain Mall	194	4,905,041	632,873	60,277	136,792	399,640	36,165	9.5%	21.6%	63.1%	5.7%
Kerrisdale	210	3,307,636	326,630	28,819	117,502	165,037	15,273	8.8%	36.0%	50.5%	4.7%
28th and Main	237	5,666,180	753,711	63,924	130,901	526,263	32,623	8.5%	17.4%	69.8%	4.3%
Festival Store	281	435,134	12,762	6	12,756	0	0	0.0%	100.0%	0.0%	0.0%
Broadway & Lillooet	300	9,293,193	1,328,101	81,725	225,852	967,242	53,281	6.2%	17.0%	72.8%	4.0%
West Vancouver Stores											
Ambleside	72	6,115,719	541,396	57,760	261,371	204,663	17,602	10.7%	48.3%	37.8%	3.3%
Caulfield	175	7,824,190	657,211	63,885	288,617	267,167	37,541	9.7%	43.9%	40.7%	5.7%
Park Royal	228	25,776,870	1,727,117	184,963	811,911	665,300	64,944	10.7%	47.0%	38.5%	3.8%
Whistler Stores											
Whistler Market Place	179	11,379,000	1,097,816	84,833	295,669	668,570	48,743	7.7%	26.9%	60.9%	4.4%
Whistler Creekside	195	2,419,486	277,034	17,311	60,604	187,292	11,826	6.2%	21.9%	67.6%	4.3%
Whistler	302	7,736,472	860,929	88,886	142,613	577,479	51,951	10.3%	16.6%	67.1%	6.0%
White Rock	06	10,718,107	1,117,585	143,497	360,502	540,023	73,563	12.8%	32.3%	48.3%	6.6%
THOMPSON/OKANAGAN											
Armstrong	215	1,995,977	245,927	33,667	46,139	137,003	29,118	13.7%	18.8%	55.7%	11.8%
Ashcroft	02	1,057,847	172,558	13,648	17,327	128,840	12,743	7.9%	10.0%	74.7%	7.4%
Barriere	138	1,488,296	249,779	19,071	17,955	189,850	22,903	7.6%	7.2%	76.0%	9.2%
Cache Creek	60	1,235,152	188,016	17,919	15,397	133,819	20,880	9.5%	8.2%	71.2%	11.1%
Chase	226	2,973,788	392,980	48,816	46,989	233,109	64,066	12.4%	12.0%	59.3%	16.3%
Clearwater	88	2,479,055	353,690	34,557	42,979	235,748	40,406	9.8%	12.2%	66.7%	11.4%
Clinton	201	1,142,949	181,607	15,423	12,758	139,223	14,203	8.5%	7.0%	76.7%	7.8%
Enderby	49	2,423,026	310,080	42,916	38,754	175,926	52,484	13.8%	12.5%	56.7%	16.9%
Golden	16	4,885,896	624,233	63,167	81,070	437,758	42,239	10.1%	13.0%	70.1%	6.8%
Kamloops Stores											
Columbia Place	79	16,582,042	1,766,921	235,724	422,168	950,911	158,118	13.3%	23.9%	53.8%	8.9%
Westsyde	147	1,479,358	229,736	20,356	23,940	168,372	17,067	8.9%	10.4%	73.3%	7.4%
Kamloops North	223	14,384,864	1,789,704	259,230	233,100	1,060,288	237,086	14.5%	13.0%	59.2%	13.2%
Kelowna Stores											
Gordon & Harvey	103	3,780,970	506,521	54,661	97,946	319,281	34,633	10.8%	19.3%	63.0%	6.8%
Westbank	143	10,732,190	1,384,980	156,856	252,903	853,311	121,910	11.3%	18.3%	61.6%	8.8%
Mission Park	148	7,947,455	954,568	100,459	239,987	552,796	61,326	10.5%	25.1%	57.9%	6.4%
Orchard Park	167	32,410,056	3,035,723	518,774	762,709	1,427,659	326,581	17.1%	25.1%	47.0%	10.8%
Keremeos	19	1,731,529	225,194	28,716	34,268	132,944	29,266	12.8%	15.2%	59.0%	13.0%
Logan Lake	139	862,230	118,253	14,151	15,710	79,004	9,389	12.0%	13.3%	66.8%	7.9%
Lumby	214	2,107,680	282,600	35,715	29,561	175,993	41,331	12.6%	10.5%	62.3%	14.6%
Lytton	209	731,038	127,964	7,465	11,358	98,273	10,868	5.8%	8.9%	76.8%	8.5%
Merritt	29	4,892,791	696,233	76,395	81,690	449,941	88,207	11.0%	11.7%	64.6%	12.7%

2006/07 STORE SALES BY REGION – UNAUDITED

		Sales		Litre Product Mix				Litre Product Mix Percentage			
Store Name	Store Number	Retail $	Litres	Spirits	Wine	Beer	Ciders /Coolers	Spirits	Wine	Beer	Ciders /Coolers
Oliver	69	3,824,478	529,126	61,175	65,865	352,383	49,702	11.6%	12.4%	66.6%	9.4%
Osoyoos	83	4,786,025	608,910	70,140	111,892	354,538	72,341	11.5%	18.4%	58.2%	11.9%
Penticton Plaza	130	16,546,587	2,012,719	246,275	407,520	1,193,518	165,406	12.2%	20.2%	59.3%	8.2%
Princeton	37	3,252,208	527,889	39,746	49,533	398,127	40,483	7.5%	9.4%	75.4%	7.7%
Revelstoke	45	4,302,856	522,785	61,316	87,832	325,650	47,986	11.7%	16.8%	62.3%	9.2%
Salmon Arm	48	9,577,502	1,079,307	171,336	202,572	541,408	163,991	15.9%	18.8%	50.2%	15.2%
Sicamous	92	2,028,820	269,538	33,080	32,352	171,144	32,962	12.3%	12.0%	63.5%	12.2%
Summerland	86	3,549,644	511,799	44,983	85,054	346,760	35,002	8.8%	16.6%	67.8%	6.8%
Vernon Stores											
Vernon	62	5,318,217	520,863	102,072	120,787	243,555	54,448	19.6%	23.2%	46.8%	10.5%
Vernon Square	135	9,567,530	1,024,362	156,168	235,549	508,250	124,394	15.2%	23.0%	49.6%	12.1%
Winfield	166	3,477,147	463,538	48,016	89,429	282,189	43,904	10.4%	19.3%	60.9%	9.5%
KOOTENAY											
Castlegar	78	4,437,885	545,846	72,695	101,215	313,448	58,488	13.3%	18.5%	57.4%	10.7%
Cranbrook	09	10,391,998	1,387,356	161,412	192,510	918,845	114,588	11.6%	13.9%	66.2%	8.3%
Creston Valley	75	4,660,034	622,934	74,518	83,559	404,929	59,928	12.0%	13.4%	65.0%	9.6%
Elkford	131	824,806	99,941	16,617	9,376	65,534	8,414	16.6%	9.4%	65.6%	8.4%
Fernie	13	3,943,943	525,315	50,125	73,687	370,650	30,853	9.5%	14.0%	70.6%	5.9%
Fruitvale	95	1,266,678	215,952	13,975	22,420	166,030	13,527	6.5%	10.4%	76.9%	6.3%
Grand Forks	15	4,374,442	623,922	60,620	95,489	396,256	71,557	9.7%	15.3%	63.5%	11.5%
Greenwood	14	482,098	83,092	5,425	6,648	65,922	5,097	6.5%	8.0%	79.3%	6.1%
Invermere	17	6,455,454	723,378	95,782	146,376	393,004	88,216	13.2%	20.2%	54.3%	12.2%
Kaslo	18	1,616,067	266,766	15,514	32,215	199,436	19,601	5.8%	12.1%	74.8%	7.3%
Kimberley	66	3,657,790	489,385	54,642	69,062	327,316	38,366	11.2%	14.1%	66.9%	7.8%
Nakusp	202	2,567,744	410,660	28,481	41,373	306,212	34,593	6.9%	10.1%	74.6%	8.4%
Nelson	32	10,134,389	1,228,173	126,979	256,380	720,001	124,814	10.3%	20.9%	58.6%	10.2%
New Denver	74	730,200	119,502	6,272	13,949	90,063	9,218	5.2%	11.7%	75.4%	7.7%
Radium	245	1,728,953	219,090	26,532	31,327	136,510	24,722	12.1%	14.3%	62.3%	11.3%
Rossland	44	2,197,433	286,061	23,172	57,325	189,850	15,715	8.1%	20.0%	66.4%	5.5%
Salmo	207	980,600	144,143	14,811	15,188	95,650	18,493	10.3%	10.5%	66.4%	12.8%
Sparwood	28	1,565,760	238,799	24,419	14,497	186,288	13,594	10.2%	6.1%	78.0%	5.7%
Trail	51	4,904,532	666,106	68,160	125,533	405,957	66,455	10.2%	18.8%	60.9%	10.0%
CARIBOO											
100 Mile House	221	7,402,000	984,166	117,870	150,582	607,302	108,411	12.0%	15.3%	61.7%	11.0%
MacKenzie	106	2,626,224	365,817	44,415	26,453	264,269	30,681	12.1%	7.2%	72.2%	8.4%
McBride	26	1,103,845	149,021	17,499	13,805	104,735	12,982	11.7%	9.3%	70.3%	8.7%
Prince George Stores											
Hart Highway	114	4,463,361	614,062	73,171	57,711	421,557	61,622	11.9%	9.4%	68.7%	10.0%
10th Avenue	126	9,951,127	1,404,412	146,722	161,967	997,074	98,650	10.4%	11.5%	71.0%	7.0%
College Heights	154	4,430,081	632,572	60,840	85,700	446,580	39,453	9.6%	13.5%	70.6%	6.2%
Parkwood Place	174	15,771,600	1,763,934	279,723	294,327	910,521	279,363	15.9%	16.7%	51.6%	15.8%
Quesnel	43	7,402,014	883,112	132,502	140,377	496,219	114,014	15.0%	15.9%	56.2%	12.9%

2006/07 STORE SALES BY REGION – UNAUDITED

		Sales		Litre Product Mix				Litre Product Mix Percentage			
Store Name	Store Number	Retail $	Litres	Spirits	Wine	Beer	Ciders /Coolers	Spirits	Wine	Beer	Ciders /Coolers
Valemount	96	1,204,131	166,017	13,461	23,293	121,238	8,025	8.1%	14.0%	73.0%	4.8%
Williams Lake	63	9,964,075	1,177,558	183,374	194,575	640,561	159,048	15.6%	16.5%	54.4%	13.5%
NORTH COAST											
Hazelton	227	1,373,102	250,505	14,543	11,335	195,921	28,706	5.8%	4.5%	78.2%	11.5%
Kitimat	213	2,874,593	371,209	42,453	71,837	225,188	31,731	11.4%	19.4%	60.7%	8.5%
Massett	105	1,676,266	228,551	23,536	31,284	152,014	21,717	10.3%	13.7%	66.5%	9.5%
Prince Rupert	35	5,935,658	724,563	98,545	109,381	444,822	71,815	13.6%	15.1%	61.4%	9.9%
Queen Charlotte City	211	1,575,140	209,832	21,389	28,918	139,435	20,090	10.2%	13.8%	66.5%	9.6%
Stewart	47	451,000	60,404	6,626	8,990	40,900	3,888	11.0%	14.9%	67.7%	6.4%
Terrace	52	8,164,055	888,057	151,421	171,310	423,097	142,229	17.1%	19.3%	47.6%	16.0%
NECHAKO											
Burns Lake	73	2,415,030	323,840	41,325	35,606	215,999	30,911	12.8%	11.0%	66.7%	9.5%
Fort St. James	248	1,567,242	236,675	22,913	18,759	178,057	16,946	9.7%	7.9%	75.2%	7.2%
Fraser Lake	91	1,198,626	176,270	17,607	16,548	124,820	17,296	10.0%	9.4%	70.8%	9.8%
Houston	99	1,983,439	277,017	31,708	23,665	190,851	30,795	11.4%	8.5%	68.9%	11.1%
Smithers	46	5,749,304	728,059	84,116	122,221	448,853	72,870	11.6%	16.8%	61.7%	10.0%
Vanderhoof	81	2,703,688	374,742	42,221	42,657	252,757	37,107	11.3%	11.4%	67.4%	9.9%
PEACE RIVER											
Chetwynd	238	2,477,062	332,297	43,375	23,710	226,959	38,252	13.1%	7.1%	68.3%	11.5%
Dawson Creek	212	7,948,387	1,028,125	140,618	108,495	664,816	114,197	13.7%	10.6%	64.7%	11.1%
Fort Nelson	222	2,312,714	269,327	46,291	26,649	174,038	22,350	17.2%	9.9%	64.6%	8.3%
Fort St. John	03	10,489,714	1,213,331	204,621	124,761	760,078	123,871	16.9%	10.3%	62.6%	10.2%
Hudson Hope	234	686,547	93,673	10,599	9,474	65,211	8,390	11.3%	10.1%	69.6%	9.0%
Tumbler Ridge	169	1,422,220	184,636	27,025	11,635	129,689	16,288	14.6%	6.3%	70.2%	8.8%
GRAND TOTAL		**1,702,050,383**	**182,765,553**	**24,393,308**	**41,747,555**	**99,258,006**	**17,366,684**	**13.3%**	**22.8%**	**54.3%**	**9.5%**

APPENDIX A

Data Accuracy
The following information summarizes the source and accuracy of the data used for Annual Report performance measures.

Sales Data (goals 1, 3, 4)
Sales data for government liquor stores (GLSs) is collected from computerized point of sale cash register systems and stored in head office databases. Sales made directly to customers by agents on behalf of the Liquor Distribution Branch (LDB) are transmitted to the LDB and stored in databases. LDB financial statements are audited by the Auditor General's office annually.

Expense Data: (goals 1, 4)
LDB expense data is captured, stored and reported by the LDB's financial system. The LDB's financial statements are audited by the Auditor General's office annually.

Employee and Customer Surveys (goals 2, 3, 4, 5)
The LDB contracts with professional survey companies to ensure that survey results are statistically valid.

Distribution Centre Accuracy Rate
The accuracy of distribution centre orders is determined by random manual checks of orders that are ready for shipment.

2-ID Checking:
The LDB contracts with the Liquor Control and Licensing Branch to check GLS compliance with ID checking requirements by using mystery shoppers. A sample of GLSs is checked at least once per year.

Other Data (goals 3, 4, 5):
Measures — including "Number of LRSs receiving direct shipment"; and "Implementation of co-operative responsible-use beverage alcohol programs"—are counted and tracked manually.

APPENDIX B

Key Departmental Descriptions:

Retail Services
Retail Services includes Distribution, Store Operations, Purchasing, Marketing and Real Estate.

Distribution
Distribution is responsible for processing more than nine million cases of beverage alcohol annually through its two distribution centres located in Vancouver and Kamloops.

The department serves both retail and wholesale customers, which include government liquor stores, rural agency stores, licensee retail stores, private wine stores and three other liquor jurisdictions in northern Canada.

Store Operations
The Store Operations department manages 201 government liquor stores throughout the province and administers and supports customer service and sales activities within the stores, including the responsible retailing of beverage alcohol. The department also oversees the Rural Agency Store program.

Purchasing
Purchasing is responsible for purchasing beverage alcohol products that are approved for sale in British Columbia, and manages the inventory of products sold in LDB stores by monitoring daily market and sales trends in order to forecast inventory volume and prevent product stockouts.

Marketing
Marketing is responsible for product and event promotions in government liquor stores, and works with suppliers and manufacturers, as well as store staff, to provide feature products and product information to enhance customer service. Marketing also develops and publishes a monthly price list, the quarterly Taste magazine, the product content and information for www.bcliquorstores.com, and materials for the LDB's Social Responsibility programs.

Real Estate
The Real Estate department is responsible for the administration and maintenance of the LDB's leased and owned store premises, distribution centres and administrative offices. Real Estate is responsible for enhancing customer service by developing new store locations and upgrading existing properties.

Corporate Security
This department is responsible for developing, implementing and administering diverse and comprehensive security policies and programs. Corporate Security is also responsible for the LDB's Emergency Management and Business Continuity programs. Corporate Security optimizes protection of public financial assets, personnel and the general public.

Legal Services
The Legal Services department provides legal advice to the LDB and directs the Information and Privacy program. The responsibilities of the Information and Privacy Office include: responding to public requests for LDB business information; advising on privacy issues; administering, controlling and preserving LDB records; and providing a sales data service to LDB industry partners such as suppliers, agents, industry associations, private retailers and departments of government.

Corporate Policy
The Corporate Policy department researches and advises on corporate policy issues and works with other government organizations on cross-jurisdictional issues. The department is also responsible for Special Retail Programs and Communications.

Communications
Communications is responsible for internal and external communications, public relations and media relations. The department develops a variety of corporate publications, including public information materials and the LDB's annual reports and service plans.

Finance
The responsibilities of Finance include: the development and implementation of programs for effective financial control of assets, revenues and expenditures; the preparation and monitoring of revenue, expense and capital budgets; accounting for and reporting on branch operations in accordance with generally accepted accounting principles; and the provision of financial analysis, information and advice as may be required by the LDB. As well as reporting on the LDB's financial performance, this department includes an audit division that ensures accountability to taxpayers and monitors LDB transactions with its business partners.

Information Services
The Information Services department supports the technology required to enable business processes, and provides information relevant to the LDB's business function and security. It assists in the identification of business requirements and provides cost-effective technical solutions in order to achieve organizational goals. This includes research, establishment of standards, procurement, deployment, sustainment and possible disposal of hardware and software plus other related supporting technologies.

Human Resources
This department provides human resources services related to recruitment and selection, employee training and development, labour relations, classification and compensation, leave and benefit administration, organizational development, occupational health and safety, employee counselling and human resources planning.

APPENDIX C

Executive Organization

LDB senior management, as of March 31, 2007, includes:

General Manager*
Jay Chambers

Executive Administrative Assistant
Cindy Dahlke

Executive Director, Finance*
Roger Bissoondatt

Executive Director, Retail Services*
Kelly Wilson

Legal Counsel*
Catherine Sloan

Executive Director, Human Resources*
Gordon Zelenika

Director, Information Services*
Don Farley

Director, Corporate Policy*
Gordon Hall

Director, Corporate Security*
Donna Morse

Director, Store Operations
Gary Branham

Director, Marketing
Jim Fraser

Director, Wholesale Business
Katharine Jowett

Director, Purchasing
Michael Procopio

Director, Real Estate
Bob Tougas

Director, Distribution
Don Wilcox

Chief Auditor
Rita Bittel

Manager, Communications
Michèle Green

** Members of the Executive Management Committee*

APPENDIX D - UNAUDITED

BEER SALES BY COUNTRY OF ORIGIN - TOP 10

Dollar Sales ($000s)

Category	2006/07	2005/06	2004/05	2003/04	$ Change 2006/07 vs 2005/06	% Change 2006/07 vs 2005/06
CANADA	872,020	841,932	832,842	787,279	30,088	3.6%
MEXICO	44,667	39,140	37,910	34,002	5,527	14.1%
UNITED STATES	33,900	30,649	31,458	29,644	3,251	10.6%
NETHERLANDS	27,621	21,250	18,104	16,719	6,371	30.0%
BELGIUM	22,702	18,065	13,052	8,345	4,638	25.7%
GERMANY	12,590	11,179	11,085	10,528	1,411	12.6%
IRELAND	11,718	9,950	9,031	8,646	1,768	17.8%
BRAZIL	6,656	4,050	5,195	5,359	2,607	64.4%
ENGLAND	3,251	2,724	2,485	2,407	527	19.4%
CZECH REPUBLIC	3,226	2,469	2,090	1,533	757	30.6%

Litre Sales (000s)

Category	2006/07	2005/06	2004/05	2003/04	Volume Change 2006/07 vs 2005/06	% Change 2006/07 vs 2005/06
CANADA	241,044	238,366	238,688	240,210	2,678	1.1%
MEXICO	9,590	8,365	8,116	7,398	1,225	14.6%
UNITED STATES	8,170	7,383	7,902	7,721	786	10.6%
NETHERLANDS	5,843	4,552	3,805	3,547	1,291	28.4%
BELGIUM	4,709	3,775	2,735	1,773	933	24.7%
GERMANY	2,971	2,687	2,665	2,592	284	10.6%
IRELAND	2,516	2,159	1,975	1,949	357	16.6%
BRAZIL	1,501	874	1,059	1,096	626	71.6%
DENMARK	783	715	498	305	69	9.6%
CZECH REPUBLIC	753	588	509	373	165	28.0%

IMPORTED BEER BRANDS - TOP 10

Dollar Sales ($000s)

Brand Name	2006/07	2005/06	$ Change vs Prev Year	% Change vs Prev Year
CORONA EXTRA (Mexico)	39,797	35,370	4,427	12.5%
MILLER GENUINE DRAFT (United States)	29,730	27,231	2,499	9.2%
HEINEKEN LAGER (Netherlands)	21,684	17,273	4,412	25.5%
STELLA ARTOIS (Belgium)	21,053	16,694	4,359	26.1%
BRAHMA (Brazil)	6,682	428	6,255	1462.3%
BECKS (Germany)	4,933	4,284	649	15.2%
GUINNESS PUB DRAUGHT (Ireland)	4,132	3,679	453	12.3%
GUINNESS STOUT (Ireland)	3,543	2,842	701	24.7%
GROLSCH LAGER (Netherlands)	3,225	2,508	717	28.6%
WARSTEINER PREMIUM VERUM (Germany)	2,462	2,417	46	1.9%

SPIRIT SALES BY CATEGORY - TOP 10

Dollar Sales ($000s)

Category	2006/07	2005/06	2004/05	2003/04	$ Change 2006/07 vs 2005/06	% Change 2006/07 vs 2005/06
VODKA	179,461	160,284	147,547	135,887	19,177	12.0%
WHISKY - CANADA	125,158	121,195	118,892	114,814	3,963	3.3%
LIQUEURS	109,406	98,894	92,422	84,597	10,512	10.6%
RUM	108,547	101,707	98,183	91,622	6,840	6.7%
WHISKY - SCOTCH	54,614	53,356	51,233	48,460	1,258	2.4%
GIN	32,467	30,975	30,338	28,105	1,492	4.8%
TEQUILA	17,122	13,773	11,979	10,098	3,349	24.3%
BRANDY	13,844	13,683	13,431	13,066	161	1.2%
WHISKY - OTHER	11,705	10,275	9,177	8,193	1,430	13.9%
COGNAC	4,135	4,227	3,961	3,858	-92	-2.2%

Litre Sales (000s)

Category	2006/07	2005/06	2004/05	2003/04	Volume Change 2006/07 vs 2005/06	% Change 2006/07 vs 2005/06
VODKA	7,050	6,566	6,153	5,825	485	7.4%
WHISKY - CANADA	4,781	4,779	4,725	4,681	2	0.0%
RUM	4,318	4,185	4,086	3,942	133	3.2%
LIQUEURS	3,629	3,349	3,152	2,993	280	8.3%
WHISKEY - SCOTCH	1,479	1,495	1,460	1,430	-16	-1.1%
GIN	1,219	1,193	1,169	1,110	26	2.2%
BRANDY	548	554	551	555	-6	-1.0%
TEQUILA	418	349	303	250	69	19.8%
WHISKEY - OTHERS	351	318	283	259	33	10.4%
COGNAC/ARMAGNAC	44	43	41	41	1	2.0%

SPIRIT BRANDS - TOP 10

Dollar Sales ($000s)

Brand Name	2006/07	2005/06	$ Change vs Prev Year	% Change vs Prev Year
SMIRNOFF RED LABEL VODKA (Canada)	53,067	48,005	5,063	10.5%
BACARDI WHITE RUM (Canada)	35,830	34,373	1,457	4.24%
CROWN ROYAL CANADIAN WHISKY (Canada)	28,106	26,851	1,255	4.7%
WISERS DELUXE CANADIAN WHISKY (Canada)	19,258	18,218	1,040	5.7%
ALBERTA VODKA (Canada)	14,616	13,225	1,391	10.5%
BAILEYS ORIGINAL IRISH CREAM (Ireland)	14,375	13,156	1,219	9.3%
GIBSONS FINEST 12 Y.O. CANADIAN WHISKY (Canada)	13,789	12,494	1,295	10.4%
POLAR ICE VODKA (Canada)	13,787	12,216	1,570	12.9%
BOLS BOLSKAYA VODKA (Canada)	13,138	11,761	1,378	11.7%
CAPTAIN MORGAN - SPICED (Canada)	12,261	9,299	2,962	31.9%

TABLE WINE SALES BY COUNTRY OF ORIGIN - TOP 10

Dollar Sales ($000s)

Category	2006/07	2005/06	2004/05	2003/04	$ Change 2006/07 vs 2005/06	% Change 2006/07 vs 2005/06
CANADA	274,941	248,778	222,845	193,790	26,163	10.5%
AUSTRALIA	124,880	111,392	100,281	76,382	13,487	12.1%
UNITED STATES	66,022	58,075	53,178	46,286	7,947	13.7%
ITALY	45,220	40,783	38,366	40,843	4,437	10.9%
FRANCE	38,768	32,248	30,771	32,102	6,520	20.2%
CHILE	32,487	29,692	28,073	27,836	2,795	9.4%
SOUTH AFRICA	12,991	11,863	9,990	7,419	1,129	9.5%
ARGENTINA	12,469	9,020	7,078	5,006	3,449	38.2%
SPAIN	9,431	7,790	6,251	5,709	1,641	21.1%
NEW ZEALAND	9,164	6,370	4,082	3,457	2,794	43.9%

Litre Sales (000s)

Category	2006/07	2005/06	2004/05	2003/04	Volume Change 2006/07 vs 2005/06	% Change 2006/07 vs 2005/06
CANADA	23,527	22,347	20,525	18,982	1,180	5.3%
AUSTRALIA	8,068	7,234	6,524	4,977	834	11.5%
UNITED STATES	4,645	4,268	4,080	3,463	377	8.8%
ITALY	3,094	2,954	2,881	3,325	140	4.8%
CHILE	2,756	2,624	2,517	2,531	132	5.0%
FRANCE	2,159	1,974	1,964	2,085	185	9.4%
SOUTH AFRICA	1,004	921	775	593	83	9.0%
ARGENTINA	969	762	630	438	207	27.2%
SPAIN	595	504	434	440	91	18.1%
GERMANY	458	422	413	437	35	8.4%

RED TABLE WINE BRANDS - TOP 10

Dollar Sales ($000s)

Brand Name	2006/07	2005/06	$ Change vs Prev Year	% Change vs Prev Year
SHIRAZ - YELLOW TAIL (Australia)	10,505	10,581	-75	-0.7%
CABERNET SAUVIGNON - WOLF BLASS YELLOW LABEL (Australia)	4,915	5,402	-487	-9.0%
SAWMILL CREEK - BARREL SELECT MERLOT (Canada)	4,461	4,011	450	11.2%
JACKSON-TRIGGS - PROPRIETORS' SELECTION CAB. SAUVIGNON (Canada)	3,335	3,071	264	8.6%
MERLOT - YELLOW TAIL (Australia)	3,196	3,381	-185	-5.5%
SONORA RANCH MERLOT (Canada)	2,890	3,157	-267	-8.5%
MISSION RIDGE - PREMIUM DRY RED (Canada)	2,867	2,576	291	11.3%
DOMAINE D'OR - RED (Canada)	2,797	2,537	260	10.2%
CALONA - ROYAL RED (Canada)	2,770	2,677	93	3.5%
JACKSON-TRIGGS - PROPRIETORS' SELECTION MERLOT (Canada)	2,586	2,510	76	3.0%

WHITE TABLE WINE BRANDS - TOP 10

Dollar Sales (000s)

Brand Name	2006/07	2005/06	$ Change vs Prev Year	% Change vs Prev Year
SAWMILL CREEK - BARREL SELECT (Canada)	4,492	4,265	227	5.3%
CHARDONNAY - YELLOW TAIL (Australia)	4,036	3,692	344	9.3%
JACKSON TRIGGS - PROPRIETORS SELECTION SAUVIGNON BLANC (Canada)	4,009	3,657	352	9.6%
CHARDONNAY - LINDEMANS BIN 65(Australia)	3,301	3,480	-179	-5.1%
DOMAINE D'OR WHITE (Canada)	3,251	2,945	305	10.4%
JACKSON-TRIGGS - PROPRIETORS' SELECTION CHARDONNAY (Canada)	3,127	3,041	86	2.8%
SCHLOSS LADERHEIM (Canada)	3,063	3,232	-169	-5.2%
SONORA RANCH CHARDONNAY (Canada)	2,966	3,034	-69	-2.3%
SAWMILL CREEK - BARREL SELECT CHARDONNAY (Canada)	2,720	2,317	403	17.4%
SOLA (Canada)	2,706	2,683	23	0.9%

BRITISH COLUMBIA VQA TABLE WINES - TOP 10

Dollar Sales ($000s)

Brand Name	2006/07	2005/06	$ Change vs Prev Year	% Change vs Prev Year
SUMAC RIDGE - PRIVATE RESERVE GEWURZTRAMINER	1,853	1,447	406	28.0%
BURROWING OWL - MERLOT	1,369	1,224	144	11.8%
MISSION HILL - FIVE VINEYARDS PINOT GRIGIO	1,258	1,320	-62	-4.7%
TINHORN CREEK - MERLOT	1,207	1,018	189	18.5%
SANDHILL - MERLOT	1,106	1,221	-115	-9.5%
MISSION HILL - FIVE VINEYARDS CABERNET MERLOT BIN 88	1,044	968	77	7.9%
OSOYOOS LAROSE	1,019	791	228	28.9%
TINHORN CREEK - PINOT NOIR	993	942	51	5.5%
GRAY MONK - LATITUDE FIFTY SELECT WHITE	986	880	106	12.1%
BLACK HILLS - NOTA BENE	960	733	227	30.9%

REFRESHMENT BRANDS - TOP 10

Dollar Sales ($000s)

Brand Name	2006/07	2005/06	$ Change vs Prev Year	% Change vs Prev Year
SMIRNOFF - ICE	13,307	12,465	16,077	6.8%
GROWERS CIDER CO. - EXTRA DRY APPLE	4,924	4,555	3,946	8.1%
MIKE'S - HARD LEMONADE	3,677	3,399	3,100	8.2%
GROWERS CIDER CO. - NATURAL PEACH	3,547	3,554	3,468	-0.2%
BACARDI BREEZER - TROPICAL ORANGE SMOOTHIE	2,602	2,793	2,280	-6.8%
GROWERS CIDER CO. - RED RUBY GRAPEFRUIT	2,391	2,260	2,379	5.8%
MIKE'S - HARD CRANBERRY LEMONADE	2,119	1,990	2,147	6.5%
OKANAGAN PREMIUM - CRISP APPLE	2,007	1,933	312	3.8%
EXTRA - HARD GLACIER BERRY	1,768	1,700	2,308	4.0%
OKANAGAN PREMIUM - HARVEST PEAR	1,708	1,669	1,657	2.3%

GLOSSARY

Agency Stores
Privately-operated liquor outlets appointed under Section 18(5) of the *Liquor Distribution Act*. These include rural agency stores, independent wine stores, and BC liquor manufacturer's stores.

Agent
An individual, partnership or company representing a supplier in accordance with a letter of authorization accepted by the LDB, or an individual who is duly licensed pursuant to section 52 of the *Liquor Control and Licensing Act* to represent an authorized agent.

Beverage Alcohol
Any potable liquid containing more than one per cent ethyl alcohol by volume.

Brew Pub
An establishment licensed to manufacture beer that is sold in an attached pub.

Capital Assets
An asset, whether tangible or intangible, intended for use by the LDB for more than a single fiscal year. Tangible assets have a physical identity such as land, buildings and equipment. Intangible assets do not have a physical identity (for example, goodwill).

Capital Expenditures
Money spent to acquire or upgrade capital assets.

Distillery
Establishments licensed to manufacture distilled liquor products such as whisky, rum, vodka, gin and liqueurs.

Distribution Centre
A branch-operated facility that is used to store and supply products to government liquor stores and wholesale customers. The LDB has one distribution centre in Kamloops and one in Vancouver.

Fiscal Year
The start and end of the year for business and financial purposes. The LDB's fiscal year runs from April 1 to March 31.

Full Time Equivalent (FTE)
The equivalent of one person working 1,827 hours in one year.

Government Liquor Store (GLS)
The retailing arm of the LDB, these government-owned and operated liquor stores sell beverage alcohol to retail and wholesale customers. They are also referred to as BC Liquor Stores.

Gross Margin
Excess of sales over the cost of the goods sold. Also called gross profit and can be expressed as a percentage of sales.

Gross Sales
Total sales dollars, before any applicable discounts.

Independent Wine Store
A wine store that sells imported and domestic wine, cider and wine coolers.

Inventory Turnover
Inventory turnover ratio expresses the relationship between the cost of goods sold and the average inventory balance. It indicates the number of times the average inventory is sold during the year.

Licensee Retail Store (LRS)
These private outlets are licensed to liquor primary licence holders by the Liquor Control and Licensing Branch to sell wine, beer, cider, coolers and spirits to the public.

Liquor Control and Licensing Branch (LCLB)
The LCLB enforces the Liquor Control and Licensing Act, issues licenses for the manufacturing and selling of liquor, and supervises the service of liquor in licensed establishments.

Liquor Distribution Branch (LDB)
The LDB is responsible for the importation, warehousing, distribution and retailing of beverage alcohol in the province of British Columbia, and operates government liquor stores and distribution centres in the province. The LDB is also responsible for the appointment of private retail agency stores.

Net Income
The total amount of profit that the LDB makes in the fiscal year.

Operating Expenses
Expenses arising in the course of running a business.

Operating Income
Income earned from operations.

Private Wine Store
A private retail store, appointed under the *Liquor Distribution Act*, that sells wine. Most private wine stores are operated by British Columbia wineries.

Retail Customers
Customers who buy beverage alcohol in government liquor stores for their own personal use. Also known as "Counter Customers."

Rural Agency Store
Rural Agency Stores are general merchandise stores or grocery stores in rural communities that are authorized by the LDB to provide liquor service where it is not viable for a government liquor store to operate.

Service Plan
A high-level planning document that summarizes for the public and stakeholders the core business of each Crown agency, the services provided, the actions planned and the expected results for each fiscal year.

Signature Stores
Large government liquor stores with a wide selection of products, enhanced customer service, and an expanded choice of British Columbia wines.

Supplier
A supplier is a manufacturer that provides beverage alcohol products to the LDB.

Vintners Quality Alliance (VQA)
A quality designation for wines administered by the British Columbia Wine Institute. British Columbia VQA wines are made entirely from grapes grown in British Columbia and are certified by a panel of experts.

Wholesale Customers
Wholesale customers are private retail stores and licensed establishments that buy beverage alcohol from the LDB for resale.

CONTACT INFORMATION

For more information about the Liquor Distribution Branch, or to request more copies of this Annual Report, please contact the LDB Communications department:

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via e-mail communications@bcliquorstores.com

The British Columbia Liquor Distribution Branch 2006/2007 Annual Report is available online at www.bcliquorstores.com

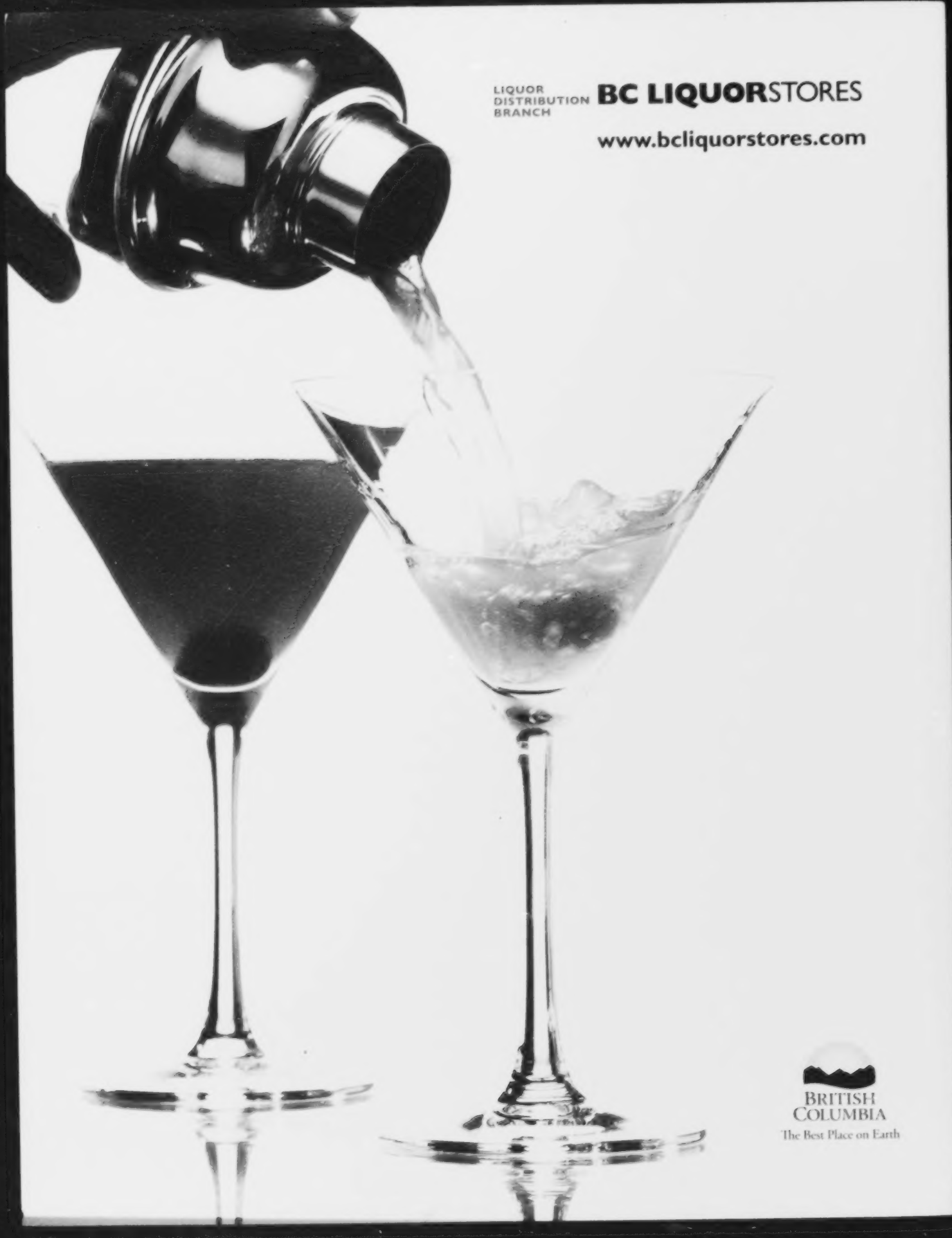
National Library of Canada Cataloguing in Publication Data

British Columbia. Liquor Distribution Branch.
Annual report. – 57th (Apr. 1, 1977/Mar. 31, 1978)-

Annual.
Report year ends Mar. 31.
Continues: British Columbia. Liquor Distribution Branch. Liquor Distribution Branch and Liquor Control and Licensing Branch: annual real report. ISSN 0706-3997.
ISSN 0710-8648 = Annual report – Liquor Distribution Branch

1. British Columbia. Liquor Distribution Branch – Periodicals. 2. Liquor industry – British Columbia – Periodicals. I. Title.

HV5087.C2B74 354.7110076'1 C81-080662-2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